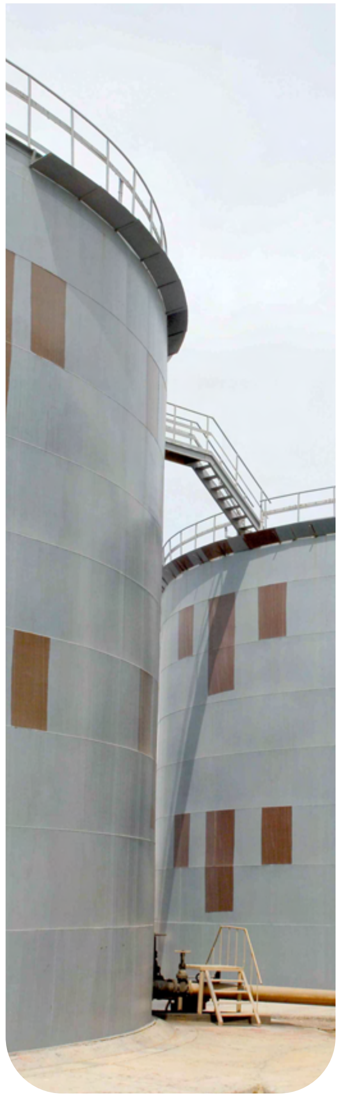
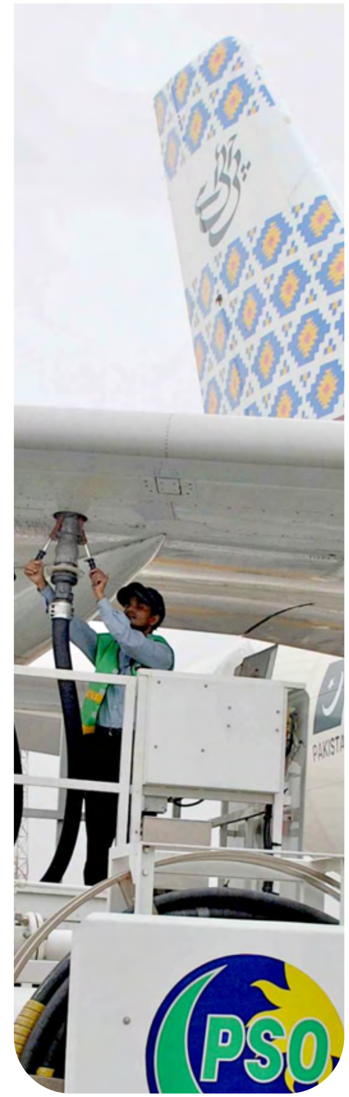




Faces of PSO

Annual Report 2008

Pakistan State Oil


SHOP
Stop

Faces of PSO

As the largest oil company in Pakistan, the role of PSO in the nation's economy extends well beyond our services as Pakistan's leading fuel retailer.

While our market leadership in terms of retail fuel sales is well recognized, our services extend to the agriculture, aviation, railway, power generation, transport and industrial consumers amongst others. Our extensive distribution network, coupled with our oil storage capabilities, allows us to excel in all areas of operations and in delivering optimum performance.

With our responsibility to the national economy comes a responsibility to the people of Pakistan. Our human resource policies allow for extensive training and development of those associated with PSO, while our health and safety systems ensure total safety and security in all areas of operations. In addition to this, our services as a socially responsible organization benefit those in need.

The many Faces of PSO are seldom seen but are always at work, ensuring that the wheels of progress keep turning. This year's annual report takes you deeper into the world of PSO. We hope you enjoy your journey.

Vision

To excel in delivering value to customers as an innovative and dynamic energy company that gets to the future first.

Mission

We are committed to leadership in the energy market through competitive advantage in providing the highest quality petroleum products and services to our customers based on:

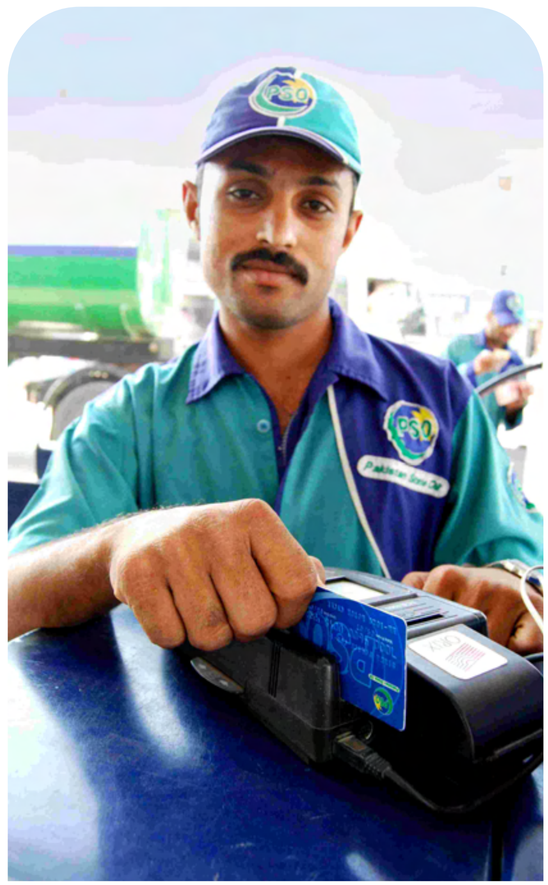
- Professionally trained, high quality, motivated workforce that works as a team, in an environment which recognizes and rewards performance, Innovation and creativity, and provides for personal growth and development.
- Lowest-cost operations and assured access to long-term and cost-effective supply sources.
- Sustained growth in earnings in real terms.
- Highly ethical, safe, environment friendly and socially responsible business practices.

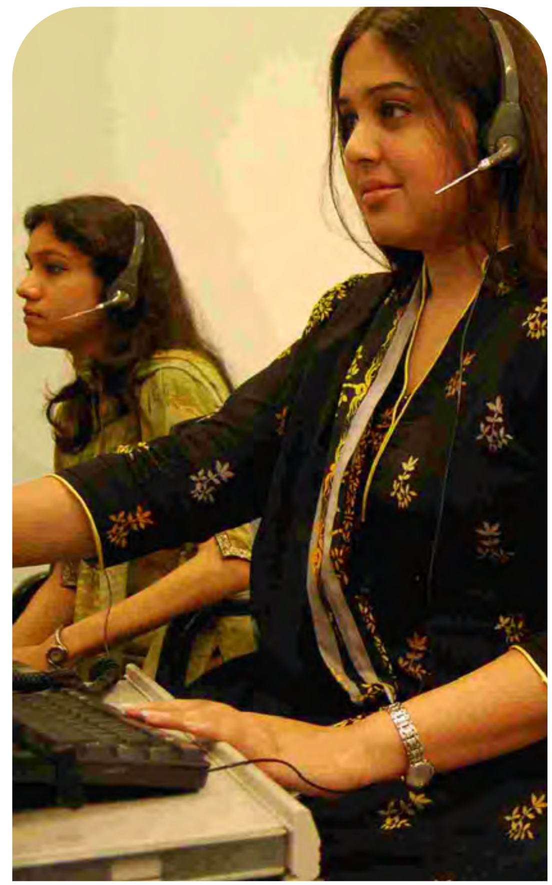
Values

Excellence: We believe that excellence in our core activities emerges from a passion for satisfying our customers' needs in terms of total quality management. Our foremost goal is to retain our corporate leadership.

Innovation: We are committed to continuous improvement, both in new products and processes as well as existing ones. We encourage creative ideas from all stakeholders.

Respect: We are an equal opportunity employer, attracting and recruiting the finest people from around the country. We value contribution from individuals and teams. Individual contributions are recognized through our reward and recognition program.





Integrity: We uphold our values and business ethic principles. Professional and personal honesty, dedication and commitment are the landmarks of our success. Open and transparent business practices are based on ethical values and respect for employees, communities and the environment.

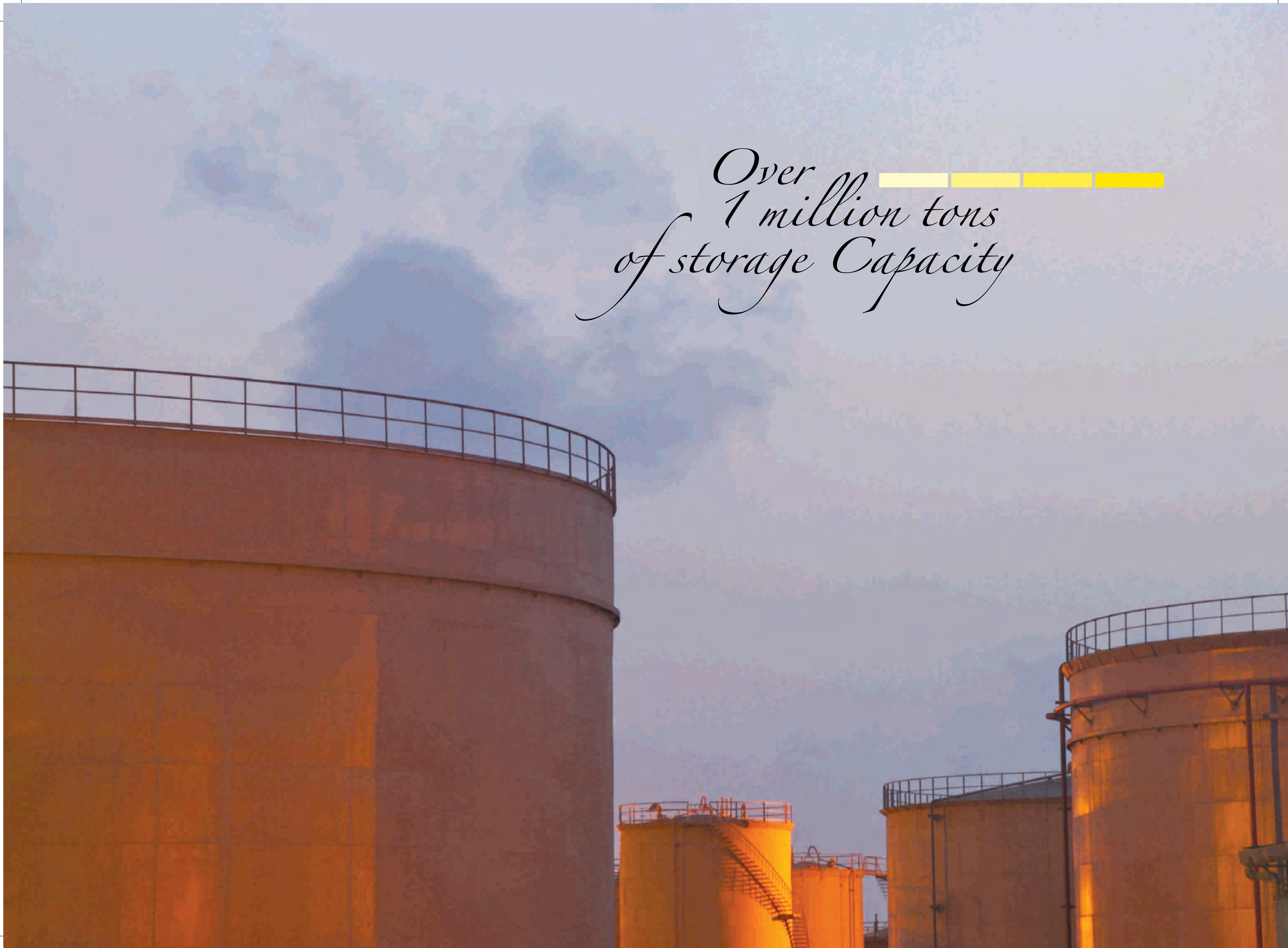
Cohesiveness: We endeavour to achieve higher collective and individual goals through teamwork. This is inculcated in the organization through effective communication.

Corporate Responsibility: We promote health, safety and environment culture both internally and externally. We emphasize on community development and aspire to make society a better place to live in.

Contents


80% share in imports
of Oil products
in the country

PSO: An Overview


Over
1 million tons
of storage Capacity

Company Overview

Pakistan State Oil, the largest oil marketing company in the country is currently engaged in the distribution, marketing, storage and import of various POL products. The company's 82.3% share in the black oil market along with its 61.8% share in the white oil market alone speaks volumes about its success.

The Company's astounding growth in terms of sales and turnover has gained us various awards in the areas of Management, HSE, HR & CSR. PSO is also the first public company to become a member of the World Economic Forum (WEF). It is the only company in the Muslim world whose CEO is on the world business council for sustainable development's Business Role Focus Area Core Team (FACT).

The Company has the widest oil storage and distribution network comprising of (12+1) storage depots and 9 installations, over one million tons of capacity i.e. more than 76% of the total national storage, numerous pipe line networks and equity partnerships in the White Oil Pipeline Project (WOPP) from Karachi to Mehmood Kot. The most efficient product movement system for its POL products is in place which includes a fleet of 6,000 tank lorries, tank wagons and pipelines. To make the product movement more efficient and effective, new pilfer-proof tank lorries equipped with satellite tracking systems have also been introduced.

The Company has the largest retail network comprising of around 3,600 retail outlets across the country, out of these 1,633 outlets have been upgraded as per the New Vision Retail Program, with most modern facilities like electronic dispensing units, convenience stores, business centers, easy payment centers and customer friendly staff to provide unmatched and diverse services to its customers, all of which are comparable to international practices.

PSO's leading retail brands include Premier-XL (petrol with multi-functional additive), Green-XL (environment friendly diesel with an additive that provides more mileage, smooth running and less black smoke), Deo (diesel engine oil) and Carient (passenger car motor oil). In order to deliver the promised quality to its retail customers, PSO has a fleet of 21 Mobile Quality Testing Units (MQTU) operating from 15 major cities of Pakistan.

PSO has gone beyond fuel for its retail customers and has introduced quick service restaurants, courier windows, convenience shops, wash express, ATMs and utility bill payment windows for its customers.

Alongside its retail and non fuel retail business, PSO also caters to the fuel demands of industrial consumers that include power generation, railways and the sugar and textile industries. The company has also been meeting the fuel needs of the armed forces of Pakistan. PSO also provides jet fuel to refueling facilities at 9 airports in Pakistan and marine ship fuel at 2 ports.

As the leading national energy company of Pakistan, PSO is committed towards minimizing its environmental footprint, maximizing occupational safety of its employees and contractors and supporting community building activities. In addition to this the company has always been in the forefront of humanitarian causes and disaster relief efforts.

Our Products & Services

Retail Fuels

Our leading retail brands are environment friendly products, which include Green XL diesel and Premier XL petrol. Green XL plus diesel, a differentiated diesel product, with its special green burn additive, having diesel fuel additive & combustion improver technology helps in keeping the engine clean and

the environment green. It reduces black smoke dramatically, enables quick start ups and minimizes exhaust emissions. It results in the smooth running of the car and gives more mileage. Premier XL is petrol with multifunctional additive which promotes engine cleanup, enhances fuel economy, reduces emissions, restores power and drivability, reduces maintenance cost and facilitates corrosion control of fuel tanks. Premier XL not only improves the efficiency of old cars by cleaning the deposits from engine parts but also benefits the new cars by keeping the engine parts clean for a longer period to achieve higher efficiency.

Aviation & Marine Fuels

We are providing Jet Propellent fuel (JP-1) to both national & international air carriers like Air Blue, Air China, Cathay Pacific, Defence Aviation Wings, Emirates Airlines, Etihad Airways, Gulf Airways, Indian Airlines, Iran Air, Kuwait Airways, Pakistan International Airlines, Qatar Airways, Saudi Arabian Airlines, Shaheen Air International, Thai Airways and many other small carriers/charters etc. We also accept carnet of Air BP, WFS and AVCARD.

Moreover, the Company is providing Jet Fuel to plane refueling facilities at the following airports in Pakistan on a round the clock basis.

- Jinnah International Airport, Karachi.
- Allama Iqbal International Airport, Lahore.
- Islamabad International Airport.
- Peshawar International Airport.
- Multan International Airport.
- Faisalabad International Airport.
- Turbat International Airport
- Pasni International Airport.
- Sialkot International Airport

Our Marine Business deals in supplying fuel to ships at Karachi Port and Port Qasim.

There are 3 major marine fuels that we provide to the ships:

- Bunker Fuel Oil (BFO) commonly known as Furnace Oil.
- Marine Gas Oil (MGO) commonly known as High Speed Diesel.
- Marine Diesel Oil (MDO) commonly known as Light Diesel Oil.

Other than the above stated products, a special quality treatment unit - Precoat unit is installed at our facilities to cater to the filtered High Speed Diesel Oil requirements of the Pakistan Navy which not only enhances the life of the marine engines & equipment but also helps in preserving the environment.

Lubricants

PSO has a state-of-the-art Lubricant Manufacturing Terminal (LMT) which is ISO-9001 certified. The function of this terminal is divided into 3 segments i.e. Manufacturing, Sales Distribution and Technology Upgrading. There is also a can manufacturing and automatic can filling units at LMT.

This plant produces 3 major categories of lubricants – automotive, fuel and industrial oils. The automotive oils category entails automotive greases, brake fluids, diesel

Our Products & Services

engine oils, gear fluids, motor cycle and passenger car oils. The leading automotive brands of PSO are Carient and DEO.

The industrial oils of PSO are the widest lubes' category. This product line entails Asphaltic, Circulation, Cylinder, Gas Engine, Gears, Heat Transfer, Hydraulic, Marine Engine, Metal Working Fluids, Process, Refrigeration, Slide Way, Spindle, Transformer and Turbine Oils.

Cards

We have been the pioneers in introducing a novel concept to reward customers for their loyalty and patronage through the 'PSO Loyalty Card'. After the successful launch of PSO Loyalty Cards in February 2003, PSO launched two kinds of fuel-based cards for the business entities. 'Fleet Card' is vehicle-specific and bears the vehicle registration number and company's name, and 'Corporate Card' is individual-specific and bears the name of the cardholder and the employer. These cards are well-established and have received an overwhelming response from the corporate world. In September 2003, PSO Prepaid Cards were launched with multiple denominations.

In order to secure and make foolproof transactions, PSO has invested heavily in the automation of its retail outlets. In February 2004, pump-controller interface for secure electronic transactions was introduced, which none of our other

competitors have. Pump controller ensures the elimination of manual intervention through pump-attendants and automates PSO card transactions.

Gaseous Fuels

With its increased utilization, CNG has become 'The Fuel' for the petrol engine vehicles in the last few years and PSO has been playing a pivotal role in promoting this environment-friendly fuel as an alternative for a greener Pakistan. Today we, as a nation, are at the top in Asia and placed as second across the world in using CNG as an alternate fuel.

PSO has 240 CNG stations operational in more than 30 cities and plenty more in the pipeline since its policy formulation in 1995. It is the first Oil Marketing Company (OMC) to commission a CNG facility at its retail outlet in January 1996.

Along with CNG, PSO is also active in the LPG domain. PSO generates over 18,000 metric tons of LPG in sales volume/annum, supplying the product in all corners of the country with the brand name “PakGas”.

Currently, the company has four LPG storage and bottling plants in Karachi, Lahore, Dhurnal and Akora Khattak, which collectively supply over 70 metric tons of LPG per day. PSO is all set to commission LPG Auto Gas Stations in the country to transform the country's retail fuel landscape.

Non Fuel Retail

Today, 'PSO' symbolizes more than just fuel. Its corporate image extends to 'well beyond the realm of fuel', a thoroughly deserved recognition earned since its historic turnaround in a rather short span of just eight years!

PSO's 'Non Fuel Retail' initiatives include the newly evolving 'Auto Car Wash' project namely 'Wash Express', ATM’s and

Our Products & Services

'Self Service Banking Centres' as well as the 'Quick Service Restaurants', in addition to its convenience stores called the 'Shop Stop'. These initiatives offer flexibility and convenience to the customers when they visit PSO's forecourt and ensure that the customer continues to perceive and reinforce 'PSO' as the 'Brand of Preference' in terms of a single destination-point.

One is not only able to access the 'Internet Facility' at retail outlets across Pakistan, but can also avail the virtual 24/7 'Utility Bills Payment' of 'Sui Southern Gas Company' with which PSO entered into a strategic alliance. Under this arrangement, the gas bills are being accepted at designated PSO stations; a unique service wherein PSO ranks as the first non-banking institution to offer such a facility to its customers.

One of PSO's latest strategic alliances involves the leading global food-chain, namely Pizza Hut in the quick service restaurants category, the first outlet of which was inaugurated at Lahore's Sunshine Petroleum, has been an outstanding success from the very first day.

The Company has 17 ATM's and 'Self Service Banking Centers' at selected PSO Stations, with a unique collaboration with leading international banks. Also a car wash facility by the name of "Wash Express" has been introduced at 3 outlets in Karachi followed by 4 courier service centers. Such initiatives have been welcomed by the customer, and have helped us cater to them in a better fashion.

More is in store in an effort to 'Adding Even Further Value' in terms of flexibility and convenience, owing to the Company's relentless quest for touching the everyday lives of its customers.

Our Customers

PSO caters to the POL requirements of a wide spectrum of customers comprising of the retail consumer, various industrial units, power projects and the aviation and marine sectors of Pakistan. We are truly the drivers of economy of this country.

A network of 3,568 distribution outlets enables us to reach Pakistanis' from Nagarparkar to Sost. We are proud to cater to the fuel needs of approximately 2.8 million customers per day. Our retail wide spread distribution backbone is supported by a well established network of depots/installations and fully operational ISO 9001:2000 certified divisional offices, the head office which provides our Industrial Consumer department a greater market depth from Karachi to Gilgit; a feature that is unmatched by any local or international OMC in Pakistan.

PSO industrial consumer dominance in the government sector can be judged by the fact that all the major government entities like the OGDC, Pakistan

Our Customers

Army, Pakistan Railways, Pakistan Navy, NLC, PAF Wah and HIT have entrusted PSO to meet their POL needs.

Besides supplying fuel to national power utilities like WAPDA and KESC, PSO is also the major furnace oil supplier to all IPP's in Pakistan with a share of over 80% in the furnace oil market. In 1994, PSO was the only OMC which made huge investments of around 2.2 billion and aggressively entered the power sector and captured a significant market share by supplying products to all power plants from its state-of-the-art oil installations at Zulfiqarabad and from up country Depots and Installations.

PSO is also playing its due role in meeting the growing energy demand of the country. In this regard agreements have been signed for the supply of fuel with Atlas Power Limited (213 MW), Kot Addu Power Company (400 MW expansion project) and Halmore Power Company (209MW). With the commissioning of these power projects, PSO will play a pivotal role in fulfilling the electricity demand and supply gap currently prevailing in the country.

PSO also supplies fuel to industrial units like textile, cement, agriculture, transport etc. Our industrial consumer base includes prestigious entities like the Presidency and the Prime Minister Secretariat, where PSO has developed outlets for timely refueling of their fleets.

Other than supplying POL products to the industrial units and power projects PSO also serves the fuel needs of both national & international air carriers.

We also provide Jet Fuel into plane refueling. Such facilities are available at following airports:

Jinnah International Airport, Karachi

Allama Iqbal International Airport, Lahore

Islamabad International Airport

Peshawar International Airport

Multan International Airport

Faisalabad International Airport

Turbat International Airport

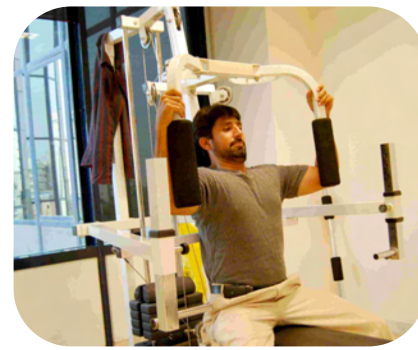
Pasni International Airport

Sialkot International Airport

Our People

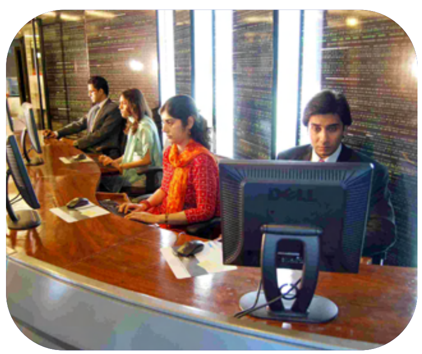
PSO has invested heavily in the development of its human resource through trainings and skill development programs, inculcating a performance based culture in the organization. The company like many of the world's leading businesses has found success in aligning business goals with its human resource.

Today, more than 54% of management employees are professionally qualified as compared to 19% in the year 2000. During this period, the employee group falling below 30 years of age, has significantly increased from 4% to over 17%. PSO being an equal opportunity employer encourages women to actively pursue their careers in a highly congenial environment. Professional female employees constitute over 9% of the population.



The Company with a focus on creating an enthusiastic team gives greater value to the dedication and motivation of its workforce to help them perform better. It aims at motivating employees through proper placement, job rotation, employee recognition and appreciation, performance based rewards, two-way communication and enhancing capabilities of people.

Leadership skills enhancement of our trained workforce takes place through challenging assignments, empowerment and promoting employees within the organization, wherever possible, to fill higher vacancies. High performers are continuously identified for career development. The young and experienced professionals who can bring a significant change are given assignments that encompass a great deal of responsibility and autonomy.



Our People

To boost the morale of employees, a reward and recognition scheme is in place for the last five years and has been a great source of creating a spirit of healthy competition amongst employees. Each year employees (both management & non-management) are nominated for two company-wide ceremonies viz 'Shaukat Raza Mirza Management Excellence Award' and 'PSO Managing Director's Performance Award' to acknowledge exceptional, smart and beyond the call of duty performance.

As companies' create an aspiring internal credibility, employee promise along with leading HR practices delivering that promise, such companies standout for graduating MBA students as the most preferred place to work. Relating to this, in September 2007, Engage Human Resources (Consultancy, Solutions and Services) in partnership with the Pakistan Society of Human Resources Management (PSHRM) conducted a preference study, interviewing 550 graduating MBA students from 8 universities that were chosen from the latest Higher Education Commission ranking survey. Pakistan State Oil was bestowed with the 'Most Preferred Local Company Award'.

Regular interactive communication meetings provide an opportunity to all employees to share their achievements, grievances, ideas and observations on various corporate issues and strategies with the top management. A two-way communication channel has been established in which the Managing Director communicates corporate goals, business challenges and expectations to all the employees. The communication meetings are now being relayed via video-conferencing at other locations also.

To improve business systems and implement relative strategies an 'Employee Motivation Survey' was conducted for the first time by an external consultant in 2007. This survey aimed at augmenting a work culture that enhances employee motivation as well as gaining a better understanding of forces that shapes motivation, attitude, behavior patterns and expectations. The survey helped in recognizing the needs, opinions, concerns and perceptions of our human capital about the organization and what they value in terms of professional and personal interests and incentives.

PSO encourages recreational activities for the workforce at all levels. Formation and functioning of the "PSO Club" provides assistance to employees for their mental and physical health as well as their social activities. Sports and recreational activities are organized through this forum, where employees and their families are encouraged to participate.

Our Corporate Social Responsibility

We at PSO believe that Corporate Social Responsibility (CSR) is about making a difference. A difference that is able to permeate the very fabric of society uplifting the economic well being of our country and our people.

Pakistan State Oil is proud of its long-standing tradition of contributing to society and the nation. Growing from a government department in the early 1970's to where it is today as a major corporate heavyweight on Pakistan's stock exchanges, Pakistan State Oil has never shirked its social responsibilities. Heeding calls from its various stakeholders for assistance in times of need, Pakistan State Oil is synonymous with nation-building and community contribution.

The Company is seriously committed to its social responsibilities which is evident in its efforts towards assisting the needy and less fortunate. Pakistan State Oil champions three major platforms. They are education, health care and community building activities which entails activities for women empowerment, children welfare and relief efforts during and after natural calamities. Within these three major platforms, the company carries out various activities that bring about a value proposition to all parties concerned.

PSO will continue to play its role in contributing towards the nation's economic progress and prosperity. As an enabler, PSO will continuously touch as many lives as possible, not only improving the lives of individuals but playing a vital role in the progress of the nation.

Our focus on Health, Safety & Environment

Environment, health and safety management are on high priority for responsible companies and PSO is no exception. The Company is committed to maintaining a safe, healthy and sustainable environment wherever we operate – for our people, our customers, our partners and contractors and the community at large.

PSO has implemented a health, safety and environmental management system and related standards to carry out operations and other activities in a manner that is protective of human health and the environment. This environmental management system at PSO is designed to make health, safety and environmental care an integral part of all Company projects and a responsibility of all employees.

So far five PSO facilities (Mehmood Kot, Machike, LMT Korangi, Keamari Terminal – C and Central Lab) have third-party verification of the Environmental Management System according to the ISO 14001 standards. At these facilities, all the processes have been designed in such a manner that they not only remain environment friendly, but their performance is measured and higher targets are set for performance improvement.

ISO 14001 assists our managers in analyzing the environmental and safety risks involved within the total business system through the review of all the organizational activities, products and services.

At PSO we recognize that as product manufacturers and marketers we must take on responsibilities to reduce the environmental footprint of our products. Environmental product stewardship at PSO has fostered product and market innovation, providing customers with more value at less environmental impact.

Moreover, PSO is constantly working on improving the quality of its lubricants. This shall have a significant impact in reducing harmful emissions. PSO also has fuel agreements with local refineries and international supplies for the supply of lead free motor gasoline and diesel. As a policy, PSO discourages its suppliers from using of substances that cause or are suspected to cause harm to human health or the environment.

Media Milestones

پی ایس او کی کامیابی پاکستان میں موجود ٹیلنٹ کا نتیجہ ہے، جلیس صدیقی

پی ایس او نے 70.6 فیصد مارکیٹ شیئر برقرار رکھا

Total Parco, PSO ink hospitality deal

OBSERVER REPORT

LAHORE—Total Parco Pakistan Ltd and Pakistan State Oil signed a hospitality agreement at PSO House. This agreement enables Total Parco to take advantage of the vast infrastructure of PSO for distribution of the petroleum products in Pakistan.

This will also facilitate import of Petroleum Products by Total Parco in future. PSO will benefit from the additional volumes provided by Total Parco in order that they may improve capacity utilization of their facilities. The agreement was signed by Mr. Martin J. McCarthy CEO, Total Parco Pakistan Ltd and, Mr. Kaleem Saddiqui, Executive Director Pakistan State Oil.

PSO-Karvan Energy Crisis Combat Initiative

Karachi May 14, 2008: Pakistan State Oil (PSO) and Karavan Pakistan a community and youth outreach arm of Heritage Foundation, which endeavors to focus on issues related to good citizenship recently organized, PSO-Karvan Energy Crisis Combat Initiative. Students from many schools participated in a series of four events which were held at PSO House, Karachi.

The PSO-Karvan Energy Crisis Combat Initiative is geared to reach out to school children, through painting posters, quiz programs and skits to highlight the present crisis and explore different ways of energy conservations.

Muhammad Abdul Aleem, Managing Director, PSO said "children can be the best ambassadors of any social cause as they successfully influence their families and friends. This program is continuation of joint initiatives of PSO Karvan Pakistan which are aimed at awareness raising and mobilizing youth to promote causes for general good of communities and people".

"At present the whole country is facing a serious energy crisis which is affecting industry as well as private life of citizens. We believe that we all should play our role in reducing energy consumption until the time that extra power is generated" Mr. Abdul Aleem added.*

PSO, Hascombe Storage sign agreement

KARACHI: The Pakistan State Oil (PSO) and Hascombe Storage have signed an hospitality agreement for motor gasoline/diesel at PSO House, Karachi.

According to a press release issued here on Monday, Kalim A Siddiqui, PSO Executive Director (Customer Services), and Rifat A Wahidi, Hascombe Storage General Manager (Operations), signed the agreement. CFO, Hascombe, and representatives from different departments of PSO were also present on this occasion.

Hascombe Storage Limited is a new oil marketing company in Pakistan. Hascombe and PSO have enjoyed good working business relationship for import of fuel oil, diesel and motor gasoline for the past 16 years. PSO has the largest infrastructure in Pakistan and will facilitate Hascombe in the distribution of liquid fuels.

Pakistan State Oil is the largest oil marketing company of Pakistan with more than 80 per cent storage facility of the country that allows the company to reach every nook and corner of the country and cater to all strategic locations. PSO has more than 3600 retail outlets to serve its customers.—PR

PSO declares cash dividend of Rs5 per share

By Our Staff Reporter

ISLAMABAD, Oct 29: Pakistan State Oil (PSO) on Monday declared a cash dividend of Rs5 per share for the first quarter (July-September) as its after-tax profit surged to Rs2.1 billion compared to Rs567 million in the same period last year.

This meant that after-tax earnings of the company in the first quarter increased by almost four times on the back of inventory gains arising out of record international oil prices and a new market in Balochistan that emerged after Iran's crackdown on oil smugglers, almost wiping out cheap and low quality fuel.

The financial results of the country's largest oil marketing company for the first quarter were approved at a meeting of the board of management here on Monday. PSO board chairman Pervaiz Kausar presided over the meeting.

The board expressed concern over rising receivables from the government due to subsidies provided to consumers that "had an adverse impact on company's cash flows and profitability."

It also expressed concern over government's decision of revising formula for calculating margins of oil marketing companies and dealers on Mogas on Aug 25 that resulted in cut in margins by 24 per cent.

"This will affect company's profitability adversely," the company said.

A PSO announcement said the company's sales revenue increased to Rs122 billion in the first quarter as compared to Rs101bn during the same period last year.

After-tax earnings for the quarter were Rs2.103 million as against Rs567 million in the comparative period.

The board observed that the

PSO sales increase

By our correspondent

KARACHI: Pakistan State Oil (PSO) has recorded an increase in volumetric sales of diesel and petrol by 20 per cent and 33 per cent respectively in the fiscal year 2007-08 over the previous year, the state-owned oil company said on Thursday.

During the just ended financial year, PSO sold 5.3 million tonnes of diesel against 4.4 million tonnes in the previous year. Similarly, petrol sales increased to 0.72 million tonnes from 0.54 million tonnes.

In 2007-08, total growth in volumetric sales of diesel was 0.97 million tonnes, out of which PSO alone contributed 0.87 million tonnes, representing a share of 89 per cent in growth.

PSO, APL sign fuel supply arrangement

ISLAMABAD: Pakistan State Oil (PSO) and Atlas Power Limited (APL) have entered a fuel supply arrangement for APL's planned 213 MW Independent Power Project (IPP).

Director Strategic Planning and CEO Atlas Honda Pakistan Limited Saquib H. Shirazi and Managing Director and CEO of PSO Jalees Ahmed Siddiqi represented their respective companies at the ceremony held at PSO House.

Under the arrangement, PSO will provide total furnace oil requirement of 213 MW for Atlas Power plant located at Lahore-Shaikhupura Road.

Executive Director of PSO Customer Services Kalim A. Siddiqui, Executive Director Finance Yaqoob Suttar and APL CEO Maqsood A. Basra along with other senior officials of both organisations were also present on the occasion.

Atlas group is a leading business house in Pakistan having diversified portfolio consisting of automobile, engineering, financial and trading services.

The arrangement endorses PSO's strength as leading energy company and its commitment to the energy sector of Pakistan.—APP

PSO اور سٹیزن فاؤنڈیشن میں باہمی تعاون کا معاہدہ

پی ایس او چوتھی عالمی سی این جی کانفرنس و نمائش کو اسپانسر کریگا، کلیم صدیقی

Bio-diesel research begins in Pakistan

By Aamir Shafaat Khan

KARACHI, July 7: The Pakistan State Oil (PSO) has initiated research and development work on its bio-diesel project to meet government's deadline of blending five per cent biodiesel with conventional diesel by 2015 and 10 per cent by 2025.

The Economic Coordination Committee (ECC) had taken a decision on the issue in its meeting on Feb 15 in Islamabad.

Biodiesel would be extensively tested in the auto industry of Pakistan, and depending upon its favorable results, scope of its supply would be extended throughout the country as a standard practice.

At PSO, after the production of bio-diesel from Jatropha oil, an in-house testing has already begun on one vehicle. However, results would be known later.

A PSO official involved in the project told Dawn that it would take some time to produce bio-diesel in Pakistan on such a large scale because it needs mass cultivation of Jatropha and other non-edible seeds for which commitment/concerted efforts of the government is required.

He said a separate department, alternative energy and new projects, has been established within the company to identify and take initiatives in terms of cheaper renewable and alternative energy projects and to address the country's energy crisis and lessen the fuel import bill which would result in saving of precious foreign exchange.

PSO has selected only non-edible plants/seeds species, such as castor (Arind), Pongame (Sukh Chain), Jojoba, Jatropa (Karanga), etc., for production of bio-diesel. However, the company is currently focusing on Jatropha plant/seed for its better qualities as a substitute of petroleum diesel.

The officials added that many countries in Europe, US, Brazil, Malaysia, and India are using Jatropha as well as other edible and non-edible plants/seeds for production of bio-diesel.

The official said that out of these plants, Jatropha can be grown on marginal land, thus its plantation would not compete directly with other food crops, such as wheat, corn, sugarcane, rice and cotton besides helping in poverty alleviation and improving land utilisation.

Pakistan consumes approximately eight million tons of diesel per annum, of which around three million tons is imported.

There will definitely be incentives for consumers with regards to bio-diesel pricing, its effect on the environment and the vehicle performance, he said.

The official said that spiraling effect of fossil fuel prices world over continues to adversely affect economics of many countries.

This has provided incentives to search for alternative fuels derived from vegetable and non-vegetable oils, i.e. "bio diesel", which offers several distinct advantages as an alternative fuel for diesel engines.

Economically it reduces imports and would afford improved security of energy supplies.

CIS formed

Pakistan State Oil has launched Central Information System (CIS), a supervisory control and data acquisition solution that integrates on real time basis information from all PSO's New Vision Retail Outlets nation-wide using GPRS for connectivity. The CIS will also be used for building new multiple interfaces with applications like tank gauging system. In addition to this, the solution will offer various alerts like multiple swipes of same cards within a day. The CIS would also enable the Company to electronically incorporate the latest price changes besides allowing a central control of the forecourt equipment from the Head Office. PSO has partnered with ZAQSoft, a technology-oriented enterprise, to put in place Central Information System along with other high end initiatives. ●

PACRA assigns 'AAA' ranking to PSO

KARACHI (APP) - A credit rating company PACRA has assigned long-term and short-term entity ratings of "AAA" (Triple A) and "A1+" (A One Plus) respectively to Pakistan State Oil (PSO).

These ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments. These are the highest credit ratings in PACRA's rating scale.

PSO's ratings reflect its dominating position in the domestic oil marketing business supported by its spread over the country's marketing and distribution infrastructure network which makes it the main beneficiary of growth in demand for POL products.

PSO net profit rises by 293pc

KARACHI, April 22: The Pakistan State Oil (PSO) reported on Tuesday a 293 per cent rise in its net profit for the first nine months of the 2007-08 financial year, as high international prices boosted the value of its inventory.

PSO's net profit for the nine months to March 31 was at Rs8.45 billion, compared with Rs2.15 billion in the year-ago period, the oil marketing firm said in a statement to the Karachi Stock Exchange.

The result was within a range of between Rs8.1 billion and Rs8.5 billion, forecast by four analysts surveyed by Reuters.

"This rise in profit is mainly because of the huge inventory gains on furnace oil and diesel, as well as growing margins, due to the rising world oil prices," said Farhan Mahmood, an analyst at brokers JS Global Capital Ltd.

Growing sales during the period also helped the company's profitability, he said.

PSO said its net sales in the nine months jumped 35 per cent to Rs335 billion from Rs248 billion in the corresponding period last year.

The company's earning per share for the period came at Rs49.30, compared with Rs12.53 in the year-ago period.

PSO, which has already paid Rs11 as cash dividend in 2007-08, did not announce any more payout.

پی ایس او کے زیر اہتمام سی این جی ٹیکنیکل ٹریننگ سیمینار کا انعقاد

سی این جی کے شعبہ میں نمایاں ترقی کرنے پر پاکستان استعمال کرنے والا دوسرا بڑا ملک بن گیا ہے: مقررین

کراچی (بزنس رپورٹر) پاکستان اسٹیٹ آئل (پی ایس او) کے زیر اہتمام پی ایس او ہاؤس میں ایک روزہ سی این جی ٹیکنیکل ٹریننگ سیمینار کا انعقاد ہوا۔ اس موقع پر ہائیڈروکاربن ڈویلپمنٹ انسٹی ٹیوٹ آف پاکستان (ایچ ڈی آئی پی) چیف انسپکٹر آف ایکسپلوسو ڈیپارٹمنٹ اور انڈسٹری کے دیگر ماہرین بطور مہمان مقرر مدعو کیے گئے تھے۔ پاکستان میں سی این جی کے شعبہ کی نمایاں ترقی اور افزائش جس نے پاکستان کو دنیا بھر میں سب سے زیادہ سی این جی استعمال کرنے والا دوسرا بڑا ملک بنا دیا ہے، پی ایس او سی این جی اسٹیشنز پر حادثات کی مؤثر شرح اور اس کاروبار کے شراکت کاروں میں آگہی کو فروغ دینا، جیسے موضوعات سیمینار میں زیر بحث آئے۔ سیمینار میں کراچی کے علاوہ سندھ اور بلوچستان سے تعلق رکھنے والے سی این جی آپریٹرز، ٹیکنیکل ماہرین اور سی این جی اسٹیشنز کے مالکان نے بڑی تعداد میں شرکت کی۔ سی این جی ڈیلرز ایسوسی ایشن، سی این جی اسٹیشنز اونرز ایسوسی ایشن آف پاکستان اور آل پاکستان سی این جی ایسوسی ایشن کے نمائندے بھی اس موقع پر موجود تھے۔

Employees major force behind PSO turnaround

By Staff Reporter

KARACHI: From a corporate entity worth Rs. 10 billion in 2000, Pakistan State Oil (PSO) today has become a Rs. 21 billion enterprise, mainly due to investment in its human capital, observed Mr. Jalees Ahmed Siddiqi here on Tuesday Managing Director of Pakistan's largest oil marketing company.

In his address, MD PSO highlighted different areas of the company's operations and how it managed to transform from a typical public sector to a market-driven entity which is now entirely customer-oriented. He said that induction of high quality professionals, implementation of business ethics policy and recognition of talented and outstanding employees strictly on performance paid its dividend in the last six years. He was highly appreciative of the local talent in Pakistan and attributed PSO's success to their efforts. He briefed the gathering that at PSO interactive sessions are regularly held by the top management at all levels for clear, coherent and consistent communication to ensure that employees are able to integrate the inputs into their thinking for a better output. PSO is the first company in Muslim world to have its CEO on World Business Council's Business Role Focus Area Core Team (FACT); lead role on strategic initiatives of World Economic Forum (WEF), he added. Earlier Mr. Ashraf W. Tabani, President, Employer Federation of Pakistan thanked MD PSO for gracing the occasion and appreciated the robust growth and turnaround made by PSO in the recent years.

Pizza Hut opens at PSO outlet in Lahore

RECORDER REPORT

LAHORE: The Pakistan State Oil Company Limited on Tuesday opened an outlet of Pizza Hut at its petrol stations in the provincial metropolis.

Executive Director of Pizza Hut Kalim Ahmad Siddiqui opened the Hut, he told reporters that the company would set up 34 outlets of fast food across the country, while his counterpart, Adeel Hassan said the oil company had already started to install 16 ATMs at its petrol stations in various cities.

He said the oil company was open for every one and that negotiation was underway with McDonalds to set up fast-food restaurants at the oil company's stations. He also said the oil company turnover had been increased to Rs 411 billion and 70 percent of the market shares among 11 oil marketing companies.

He said that against the official announcement of 3 percent margin to the oil companies was being realised at 2.2 percent while the Ministry of Petroleum was reviewing a demand to enhance that margin.

PSO to supply fuel for KAPCO power project

AMANULLAH KHAN

KARACHI—Pakistan State Oil under an agreement will be supplying fuel for power generation to KAPCO which is expanding its capacity by additional 400-500mw under the policy of the government for fast track enhancement of country's generation capacity.

The two organizations signed a Memorandum of Understanding (MOU) initialed at a ceremony at PSO House. Syed Rizwan Ali Shah, Chief Executive Officer, KAPCO, and Jalees Ahmed Siddiqi, Managing Director & CEO, PSO, represented their respective organizations. KAPCO, a major power generating company in the private sector of Pakistan, is playing a significant role in the national economy, has a long-term contractual fuel supply agreement with PSO.

Both the entities are enjoying very cordial business relationships and the current MoU is a testament to further collaboration between the two companies.

PSO wins health and safety award

ISLAMABAD: Pakistan State Oil Company Limited (PSO) has won the prestigious RoSPA Occupational Health and Safety Award for 2008.

Pakistan State Oil the market leader among Oil Marketing Companies (OMCs) in Pakistan has once again proved its commitment to protecting the health and well-being of its employees and others associated with its business by winning the RoSPA Gold Award 2008. PSO is the first Oil Marketing Company in Pakistan that has achieved this recognition.

David Rawlins, RoSPA Awards Manager said, "PSO has shown a commitment to protecting the health and well-being of its employees and others. We hope other businesses and organizations will follow its lead and strive for continuous improvement in health and safety management."

The RoSPA awards are not just about reducing the number of accidents and cases of ill-health at work; they help to ensure that organizations have good health and safety management system in place. Entering the awards scheme

PSO assigned 'AAA' and 'A1+' ratings

KARACHI: The Pakistan Credit Rating Agency (Pacra) has assigned long-term and short-term entity ratings of "AAA" (Triple A) and "A1+ (A One Plus) respectively to Pakistan State Oil - the largest oil marketing company of Pakistan. These ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitment. These are the highest credit ratings in Pacra's rating scale.

PSO's ratings reflect its dominating position in the domestic oil marketing business supported by its spread over the country's marketing and distribution infrastructure network, which makes it the main beneficiary of growth in demand for POL products.

The ratings also recognise the restructuring efforts of the company's forward looking management that has engendered a sustainable improvement in overall operations, differentiating it from a typical public sector entity, and enabling it to better withstand competitive pressures. The latter is evident from the company's retail business, which has benefited from the up gradation of retail outlets, as well as product diversity and innovation.

Above all, the rating take into account the company's low risk profile, and a very strong capacity for timely payment of financial commitments.—PR

PSO نے 5 ٹرکوں پر مشتمل سامان سیلاب کے متاثرین کیلئے بھیج دیا

انتظامیہ نے 5 ملین روپے اور ملازمین نے ایک دن کی تنخواہ صدارتی فنڈ میں عطیہ کی ہے

کراچی (اسٹاف رپورٹر) پاکستان اسٹیٹ آئل (پی ایس او) کی جانب سے بلوچستان میں سیلاب سے متاثرہ لوگوں کیلئے اشیائے ضرورت پر مبنی پانچ ٹرکوں پر مشتمل دو قافلے روانہ ہو گئے ہیں۔ تفصیلات کے مطابق جمعہ کو پی ایس او کے صدر دفتر سے سینئر عہدیداران کے زیر نگرانی پانچ ٹرکوں پر مشتمل یہ قافلے پسنی اور تربت کیلئے 3 ہزار خوراک کے پیکٹ 5 سو کچن کا سامان 650 کینوس شیٹس اور 30 ہزار منرل واٹر کی بوتلیں روانہ کر دی گئی ہیں قبل ازیں اتوار 9 جولائی 2007ء کو پی ایس او نے خوراک اور منرل واٹر پر مشتمل امدادی سامان کراچی سے ارسال کیا جو [illegible] سے 35 کلومیٹر کے فاصلے پر واقع گاؤں ہے۔ علاوہ ازیں جمعہ تک پی ایس او 130 سے زائد پروازوں کو 1 لاکھ 25 ہزار لیٹر ایندھن فراہم کر چکی ہے اور پی ایس او کے ملازمین نے اپنی ایک دن کی تنخواہ اور انتظامیہ نے 5 ملین روپے صدر پاکستان کے فنڈ برائے متاثرین

PSO provides financial support to Child Aid Association

KARACHI, May 7: Pakistan State Oil (PSO) has extended help to the Child Aid Association through a significant financial support for its children at Oncology Unit and other free of cost health facilities located at the National Institute of Child Health.

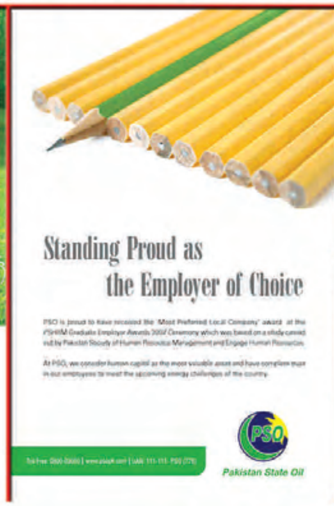
The Child Aid Association is a voluntary organization which provides assistance to the poor patients of the National Institute of Child Health. In 1999, the Association established the first pediatric oncology unit at the National Institute of Child Health. The Association had been providing free treatment to all patients coming from all over the country. At present an average of 160 patients receive treatment every day.

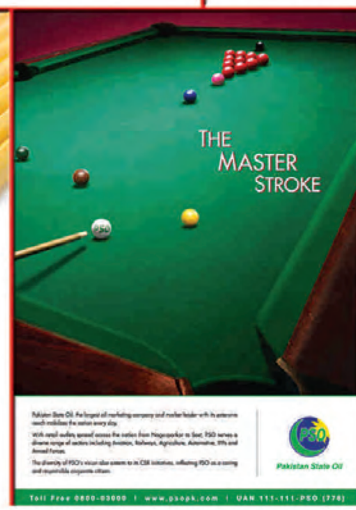
Muhammad Abdul Aleem, Managing Director of PSO said, "Being a socially conscientious company we feel that Child Aid Association has put up an outstanding effort to provide health-care facilities to the underprivileged section of our society."

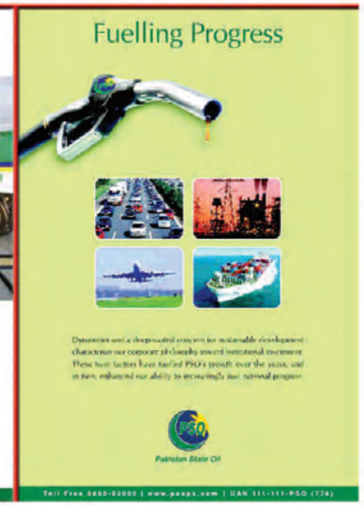
"PSO has extended help to many such organizations and we hope that our support to Child Aid Association will help them in meeting their objective more effectively", he added.

Child Aid Association has recently established an all important Cytogenetic Laboratory which provides free diagnostic facility to the children under treatment and is now making concerted efforts to make arrangements to start Bone Marrow Transplantation at the pediatric oncology unit at NICH.

Advertising Campaigns







Pakistan State Oil
A Unique Formula
Green XL plus Diesel
More mileage
Smooth running
Less black smoke
At No Extra Cost
'The first choice diesel'
www.psopk.com
Website
E-mail
Statement
SMS to 776
FMS
Fleet Management Solution
Unlimited Convenience
With our new Fleet Management Solution (FMS), PSO now brings you a new hassle free solution to keep track of your card transactions.
As a PSO Cardholder you can now SMS your 16 digit Corporate, Fleet or Loyalty Card number or simply type HELP and send it to 776 and get your balance and additional information such as:
• Card & Account Status • Product Purchased
• Quantity and Amount • Station Name
• Last Fuelling Date & Time
As a Fleet Manager / Corporate Client you can ensure the efficiency of your Fleet by signing up for our advanced vehicle specific reporting tools through our website and have access to transaction details.
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Wash Express
GREEN STATION

Our Corporate Sponsorships

This fiscal year has been an eventful one for Pakistan State Oil. Various sport events were sponsored in order to support and promote them on a nation-wide basis. From sporting events that took place in the polo grounds in the south to those held in the heights of the Karakoram ranges in the north – PSO's support was there for them. We firmly believe that Pakistan has the potential to produce world leaders in every sport, provided we give the youngsters the platform and means to rise to the world's distinction.

With this philosophy, we sponsored the 17th Chief of the Naval Staff International Squash Championship that was held in September 2007. It was held at the Roshan Khan / Jehangir Khan Squash Complex. International and National players of world ranking participated in this event. PSO received tremendous mileage from the event. Roshan Khan Junior Squash Tournament was also supported by PSO in May '08 in which amateur players of Pakistan participated and displayed their talent.

was well supported by PSO this year through the AFC President's Cup and the Pakistan vs Iraq match, to support the young football players who were seeking to make a career in this game. The sponsorship cost supported lodging costs of

these young players, who come from all over the country to take part in the President's Cup.

PSO was the Title-Sponsor of the Naltar Skiing Championship, that was held from February 21-26, 2008. This event was held at Naltar, which is 10,000 ft. above sea level, amidst the snow-capped mountains of the great Karakoram Ranges, providing the most exhilarating and spectacular backdrop for the spectators and TV viewers alike. The Championship included local and foreign players who demonstrated tremendous skiing skills and the highest level of sportsmanship over the six days of the well-organized championship.

Polo is yet another game that PSO firmly promotes. This year we were involved in two polo events namely the Punjab Polo Cup and the Lt. Col. Rizvi Polo Cup.

The game of tennis was also supported through PSO Seniors Tennis Championship held in November and included upcoming and senior players who demonstrated serious talents through out the championship.

PSO is an active player when it comes to exhibitions because they provide a crucial junction point for interacting with our huge target market and at the same time expanding our customer-base. We participated in the 4th Oil & Gas Exhibition and the Pakistan Oil & Gas Energy Exhibition. Both were held at EXPO Center, Karachi.

We have and always shall endeavor to sponsor events and exhibitions that not only benefit the Company but the nation as well.

Our Awards and Accolades


Pakistan State Oil Company Ltd.
(Retail Fuels Department – COCO Outlets)
ISO 9001:20
Procurement & Sale of Petroleum Prod
SGS
ASC SCHOOL
HELPLINE TRUST
Corporate Social Responsibility Award
Presented to
"Pakistan State Oil"
on the occasion of
"World Consumer Rights Day"
ARMY SCHOOL OF LOGISTICS
PRESENTED BY
SCHOOL OF LOGISTICS
DANA MURREE
Pakistan State Oil
Shaukat Raza Mirza
Management Excellence Award
Presented to
PAKISTAN STATE OIL
In recognition of their commitment towards management excellence
xpo
akistan
Opportunities Unlimited
Presented to
Pakistan State Oil
Platinum Sponsor
Presented by
TDAP
www.tdap.gov.pk
The Government of Sindh
SINDH
FESTIVAL 2008
at the Sea
28th - 30th March 2008
Clifton Beach Karachi
APPRECIATION AWARD
PRESENTED BY
COMDT & ALL OFFRS ASC SCHOOL

Corporate Information

Board of Management

Sardar Muhammad Yasin Malik
Chairman BOM

Mr. Shaukat Hayat Durrani
Member

Mr. Muhammad Yousaf Qamar Hussain Siddiqui
Member

Mr. Istaqbal Mehdi
Member

Mr. Iskander Mohammed Khan
Member

Mr. Muhammad Abdul Aleem
Managing Director

Mr. Mahmood Akhtar
Member

Mr. Arshad Said
Member

Haji Amin Pardessi
Member

Company Secretary
Amjad Parvez Janjua

Auditors
A.F.Ferguson & Co.
Ford Rhodes Sidat Hyder & Co.

Solicitors
Orr Dignam & Co.

Bankers
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Citibank N.A
Deutsche Bank AG
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
The HSBC Bank Middle East Limited
The Royal Bank of Scotland
United Bank Limited

Registered Office
Pakistan State Oil Company Limited
PSO House, Khayaban-e-Iqbal, Clifton, Karachi 75600, Pakistan
Tel: (92-21) 111-111-776 (PSO) Fax: (92-21) 920-3721
Helpline: 0800-03000 Website: www.psopk.com

Board Committees

HUMAN RESOURCE

Chairman
Sardar Muhammad Yasin Malik

Members
Mr. Muhammad Abdul Aleem
Mr. Shaukat Hayat Durrani
Mr. Muhammad Yousaf Qamar Hussain Siddiqui

Secretary
Mr. Babar Hamid Chaudhry

AUDIT

Chairman
Mr. Iskander Mohammad Khan

Members
Mr. Arshad Said
Mr. Mahmood Akhtar

Secretary
Mr. Ather Ali

FINANCE

Chairman
Mr. Arshad Said

Members
Mr. Mahmood Akhtar
Mr. Iskander Mohammad Khan

Secretary
Mr. Yacoob Suttar

Management Committee

The Management Committee, or Man-Com, a business strategy committee, meets on a weekly basis primarily to steer and review all key projects from conceptualization to implementation. Man-Com also reviews budgetary proposals and weeds out non-essential ones. Upon its approval, a final business plan is prepared and sent for Board approval. It also reviews major business issues and takes decisions accordingly.

Chairman Muhammad Abdul Aleem

Members Kalim A. Siddiqui, Yacoob Suttar, Amjad Parvez Janjua

Secretary Amjad Parvez Janjua

Executive Committee

The Executive Committee or Ex-Com is another high level committee which meets every Tuesday to review day to day company affairs. The Ex-Com members share their problems as well as key accomplishments with other committee members. The Ex-Com is chaired by the Managing Director.

Employee Leadership Team

The Employee Leadership Team, or ELT, meets on a regular basis and reviews all matters pertaining to human resources including recruitment, transfers, disciplinary actions, promotions and employee benefits. The committee also reviews succession plans and organizational developments.

Chairman Muhammad Abdul Aleem

Members Kalim A. Siddiqui, Yacoob Suttar

Secretary Babar Hamid Chaudhry

Other Committees

Health, Safety & Environment Steering Committee

To steer and review HSE compliance, the HSE steering committee meets periodically. The committee ensures that all PSO operations are environment friendly and reviews major HSE projects that are being undertaken. In addition, the committee also presents the status on HSE training and incidents.

Chairman

Muhammad Abdul Aleem

Members

Kalim A. Siddiqui
Yacoob Suttar
Shahzad Manzoor
Vaqar Ahmed Khan
Aijaz-uddin Ahmed
Syed Tariq Hassan Razvi
Shahid Khan
Syed Zahid-ul-Hasan
Zafar Ahmed Khan
Muhammad Saleem

Secretary

Shahzad Manzoor

Internal Audit Committee

The Internal Audit Committee regularly reviews observations highlighted by the Internal Audit Department, through their planned procedures wherein specific areas for improvement and corrective actions are suggested. In order to promote an effectively controlled environment in the Company, the Committee ensures compliance of the audit recommendation.

Chairman Muhammad Abdul Aleem

Members Kalim A. Siddiqui, Yacoob Suttar

Secretary Ather Ali

PSO: Business Review

6,000 tank lorries engaged in *delivering* quality POL products across the country

Key Achievements

Retail Fuels

PSO's reliance on the retail department can be judged by the fact that this department makes 96% of Premier Motor Gasoline (PMG) sales and 87% of High Speed Diesel (HSD) sales.

Until recently there were just a handful of players in the Oil marketing industry, but due to the entry of many new players the competition has become cut throat. Despite all odds, following are the achievements of Retail Fuels Department:

PSO enhanced its Mogas market share to 48.9% Vs. 46.2% of last year. This shows that our Mogas sales volume increased by 34% outperforming the industry growth of 26%.

HSD sales recorded an impressive 20% growth, outperforming the industry that increased over 13%. As a result, the Company's market share increased to 63.8% Vs. 60.4% during the preceding year.

PSO achieved an impressive HSD sales volume of 5.3 million tons and 0.72 million tons for Mogas against the previous year's sales of 4.4 million tons and 0.54 million tons respectively. Against the overall industry increase of 0.96 million tons of HSD during FY08, PSO successfully captured almost 90% of the total increase.

Industrial Consumer

1. The highlight of FY-08 for IC department is the soaring sales of Furnace Oil at the back drop of increasing electricity demand in the Country coupled with low availability of energy sources like Hydel and Gas. PSO Furnace Oil sales reached 6.2 million tons this year compared to 5.9 million tons last year, rendering a thumping market share of about 84% in Furnace Oil market.

2. IC continued its dominating streak in winning tender business of major Government Entities such as Defence, Director General (Agri), Pakistan Steel, NLC, HIT, POF WAH etc. and despite the increasing competition and exogenous market constraints have managed to register positive growth in MOGAS (5%) , SKO (10%) HSD (13%).

3. Furthermore, the company is actively pursuing new business of up-coming IPP's and in this regard have signed FSA/MOU with following IPPs:

Name	Capacity (MW)	Fuel	Consumption MT/Annum
Atlas Power Company Limited	213	FO	300,000
Halmore Power Company Limited	209	HSD	180,000
KAPCO – II	400	LSFO	600,000

Aviation & Marine

Key accomplishments of FY-08 are as follows:

1. The Inauguration of Sialkot International Airport Limited (SIAL) was an important milestone in the history of PSO Aviation. SIAL became the 9th Airport in Pakistan where PSO established refueling facilities for aircrafts.
2. Special arrangements were made for the refueling of the B-747 aircraft at Rahim Yar Khan International Airport, registering a volume of 40,000 Litres.
3. The Company surpassed all the previous records as 96 Haj flights were refueled by PSO without any delay.
4. On April 18, 2008, record of highest ever delivery of 223,300 Liters of Jet A-1 fuel to any aircraft was made.

Key Achievements

The aircraft that was delivered this record quantity of fuel was AN-124 at Lahore Airport.

5. Over 2,883 Jet Fuel loaded Tank Trucks have been exported and the customer has not rejected any truck on quality issues.

6. Sold 89,700 M.T. of F.O. which is the highest ever in the last 20 years.

Lubricant Sales & Marketing

- Launched Mega Campaign on PSO lubricants product range Carient & DEO.
- Lubricants stall activity conducted at various shopping malls in Karachi & Lahore.
- Trade incentive scheme started in June 2008.

This scheme offered free products on purchase of a certain quantity.

- Blaze-7 gift scheme launched in Karachi as pilot project. Free gifts were offered to consumers through scratch-and-win coupons.
- COCO site staff incentive scheme started in June 2008. This scheme offered cash reward for COCO site staff on the basis of their sales.
- Designed new SKU labels for launching in September 2008. New SKU's include Carient Plus 1 litre & 3 litres, DEO 8000 1 litre, DEO 2000 4 litres.
- 39 Shamiyana meetings held in different divisions for direct interaction with customers.
- Co-sponsored 42nd Annual Sugar Convention for the 6th consecutive year.
- Won the lubes tender of Railways, Navy and Sui Northern Gas Pakistan Limited (SNGPL).
- Conducted 03 Product knowledge-training sessions for retail staff & dealers in Karachi, Lahore & Multan.

Cards

PSO has been maintaining a consistent growth in its Cards' program and ended yet another successful year, engulfing various remarkable achievements. Since the introduction of

PSO Fleet & Corporate Cards, the customer base has been growing at a steady pace and now more than 6,000 clients are enjoying the benefit of convenience and savings for over 86,000 vehicles on a daily basis. PSO Cards customers' currently enjoy the benefit of the cards acceptance facility at more than 1,450 outlets across the country.

PSO Cards department's remarkable achievements are as follows:

1. During FY-08, Fleet & Corporate Cards showed a growth of 40%, Prepaid Cards 20% and Non-PSO Cards 10% surpassing the target for FY-08.

2. Efforts were made to penetrate the PSO Prepaid cards in the market by tapping into different organizations.

3. Besides serving the customers' with the existing fuel-based cards, PSO has now introduced a new member in the family of cards i.e. PSO Commercial Card. This card was launched to meet customers' commercial fueling requirements for the purchase of Premier XL or Green XL Plus Diesel from our forecourt.

4. The Company also introduced a value added service which is the Fleet Management Solution (FMS) for Fleet & Corporate Card customers'. Pertaining to changing customer requirements, FMS was re-launched with enhanced functionality. 'Fleet Management Solution' (FMS) is a revolutionary value added service that integrates state-of-the-art technology with total customer convenience that allows to control and monitor fuel consumption on real time basis. PSO cardholders can now send an SMS for Corporate, Fleet or Loyalty Card number to 776 and get updated balance and additional information such as last

Key Achievements

fueling date, time and station name, product purchased quantity, amount and odometer reading on their cell phones. Further, the fleet managers or card holders can have access to web-based solution from where they can monitor their card's activity.

5. Pakistan State Oil is one of the top redemption partners of Mobilink Indigo Reward Program. To further give this alliance a boost, a two month campaign was launched starting December 15, 2007. The campaign encouraged all Mobilink Indigo customers to redeem their points at PSO Stations to win Black Berry's and PSO Prepaid Cards of Rs. 2,500 in a lucky draw. The campaign at the very outset picked up well with a 53% increase in the number of redemption transactions on PSO Stations. The customers were diligently tapped by direct mailers in monthly bills, SMS broadcast, dispenser frames at PSO Stations and standees at Mobilink Customer Centers.

Non Fuel Retail

- PSO launched the first-ever 'Pizza Hut' outlet at PSO's Sunshine Petroleum Lahore.
- Introduced 9 ATM's of Standard Chartered Bank in the 3 key cities, expanding the total network to 17 across Pakistan.
- Pioneered the first-ever "FedEx" Courier Service concept on the OMC-horizon by introducing 2 outlets at Karachi, thereby once again setting a new benchmark in the Industry.
- Re-launched 3 Wash Express units at Karachi with value added features to further enhance PSO's corporate image and brand equity through this niche' (automated) offering.
- Added 60 Backlit Boards. Now the total number to-date is over 90.

Gaseous Fuels

Due to the continuous price surge of crude oil during FY-08, the price differential between Mogas and CNG became more significant, thus CNG popularity increased manifolds throughout FY-08.

PSO during FY-08, focused more on the Safety and HSE aspects of the CNG stations. Our CNG business partners (PSO CNG operators) were provided a number of communications related to safety aspects and proper maintenance of CNG stations. As a step forward, PSO has successfully organized CNG Technical Training Seminars to educate and train PSO CNG business partners and PSO

Divisional Engineers of South and Central Region. The first Technical Training Seminar was arranged at PSO House in March 2008, for the CNG operators and Divisional Engineers of Karachi, Hyderabad, Sukkur and Quetta Divisions. In order to cover the Central Region, the second Technical Training Seminar was arranged at Retail Division Office Lahore in April 2008, for the training and coaching of CNG operators and Divisional Engineers of Lahore, Multan, Sahiwal, Faisalabad and Bahawalpur Divisions.

Third Technical Training Seminar was arranged at Retail Division Office Islamabad, in June 2008, for the education and training of CNG operators and Divisional Engineers of Islamabad/ Rawalpindi, Jhelum, Gujranwala, Peshawar and D. I. Khan Divisions.

PSO has further aggressive plans for the development of CNG stations in every part of the country to provide economical alternate fuel to the general public.

Supply

PSO takes pride in being a market leader with more than 80% share of the country's deficit product imports (White Oil & Black Oil). The FY-08 was marked by various initiatives wherein new business opportunities have been tapped and various processes in the supply department streamlined through implementation of ISO 9001:2000 Quality Management Systems.

The noteworthy achievements of the supply department are as follows:

1. In FY-08, more than 13 million tons of products were arranged (40% through local refineries and 60% through imports), in order to meet the dynamic marketing demand. PSO once again maintained its leadership in Diesel and Furnace Oil imports at competitive rates. In the review period, the company imported more than 3.4 million tons of Diesel and 4.1 million tons of Furnace Oil to cater the surge in demand. Furthermore, in view of high demand of Kot Addu Power Co. Ltd. (KAPCO), the company imported more then 493,000 tons LSFO which was in addition to the provision of locally produced 390,000 tons (Approx.) from Attock Refinery Limited to KAPCO.

2. To optimize storage utilization, the Company provided hospitality to refineries and OMC's which resulted in additional earnings.

Key Achievements

3. In order to streamline the workings, the Supply department was awarded ISO 9001:2000 Quality Management System certification in FY-08.

4. During the review period, the first Surveillance audit was conducted where there were Nil NCR's, and in pursuit of consistent improvement a number of initiatives have been taken within the department to streamline the department operations.

Operations

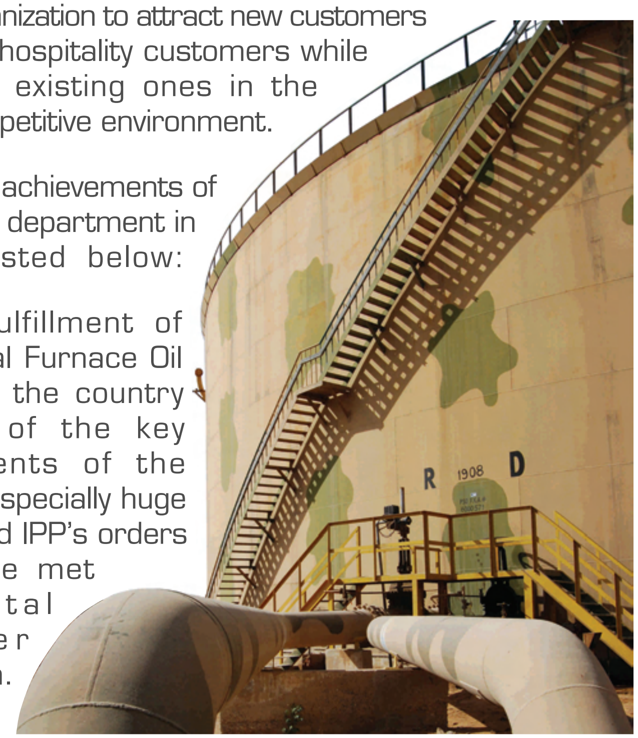
Operations Department being the largest department of the Company is mainly responsible for the handling of POL products from its receipt, safe storage and onward dispatches to customers.

During the FY-08, emphasis was given to make operational activities highly economical, efficient and customer oriented. The biggest challenge was to meet the huge demand of the power segment, however, with relentless efforts by the workforce at operating locations, un-interrupted supplies round-the-clock were made to meet the fuel needs in wake of severe power crisis in the country.

Meeting customers' needs while keeping critical operating parameters i.e. quality, quantity and timeliness under control helped the organization to attract new customers especially the hospitality customers while retaining the existing ones in the extremely competitive environment.

The important achievements of the operations department in FY-08 are listed below:

1. Efficient fulfillment of phenomenal Furnace Oil demand in the country was one of the key achievements of the Company, especially huge WAPDA and IPP's orders which were met with total customer satisfaction.



2. Other major accomplishments include catering of marketing requirements in view of PARCO turn around, successful arrangements at M/s KAPCO for Low Sulphur Furnace Oil (LSFO) through Tank Trucks, efficient handling of import vessels, and arrangements for direct pumping of High Sulphur Furnace Oil (HSFO) to M/s AES from PARCO via Lalpir pipeline system. Arrangements were made for direct transfer of High Speed Diesel (HSD) from import vessels at Keamari into PAPCO system at PQA utilizing PARCO pipeline connectivity in view of increasing vessels congestion at FOTCO.

Implementation of Operations and HSE Standards and quality certifications i.e. ISO 9000, 14000, 18000 are also the major steps taken by the department that have not only improved the quality of work at the Installations and Depots but also enhanced the over all image of PSO in the eyes of its customers, competitors and regulatory authorities.

Logistics

Being mindful of increasing energy needs of a country mainly dependent on fuel oil, the Company managed to maintain uninterrupted & timely flow of POL supplies to all stakeholders, despite enormous challenges i.e. the tragic incident of December 27, 2007 which devastatingly damaged logistics network (rail & road) and emergency shutdown of PARCO Refinery which coincided with scheduled turn around of Bosicor Refinery & Attock Refinery Limited. Despite all these challenges, not only were supplies to all retail and industrial customers maintained with total customer satisfaction but also, new all-time high records of supplies were made, which include:

1. Highest-ever in any of the month, 46,600 MT's, LSFO were uplifted from Attock Refinery Limited (ARL) during January 2008.

2. 225,000 MT's, Fuel Oil was moved from Karachi during February 2008, highest- ever in any month during the last three years.

The demand/supply equilibrium during the period could only be made possible through well-coordinated and integrated efforts of all components of the supply chain, with extended support of Carriage Contractors & Pakistan Railways.

Key Achievements

To strengthen the confidence at all levels of the company's supply chain, around 1,200 tank lorries, which are engaged in delivering quality fuels across the country, have been equipped with tracking and pilfer proof systems and upgraded as per the international standards.

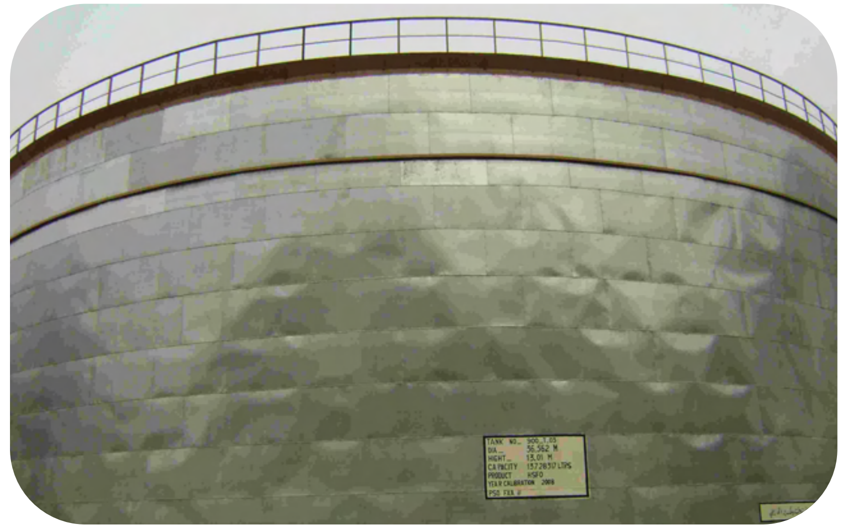
Aiming at bringing further efficiency in oil transportation business, regular training sessions and meetings have been organized to professionalize cartage contractors. Keeping in view heavy reliance on road shipments to deliver products to customers, road safety, therefore, has remained a key area of focus. Regular sessions on "Defensive Driving" were conducted across the country to strengthen road sense of drivers. Acknowledging the tough conditions of our drivers, the Company has developed ten rest areas, providing basic recreational facilities, across the country. The Company also provides life insurance cover of Rs. 300,000 to all PSO drivers and cleaners of tank lorries.

Construction & Retail Facilities

The key achievements of C&RF department in FY-08 are as follows:

Construction of 12,000 MT Furnace Oil Tank at Lalpir Depot

To cater to the increasing demand of Furnace Oil for the generation of electricity by IPP's (Independent Power Plants), C&RF Department completed the construction of a new 12,000 MT Furnace Oil tank at Lalpir depot. This additional storage facility will ensure that the ever increasing Furnace Oil demands are fulfilled efficiently.



Up-gradation of Tank Lorry Loading/Unloading System at Lalpir Depot

C&RF department also played a vital role in the rehabilitation of the tank Loading/Unloading system at Lalpir depot. This initiative is a part of the Company's strategy to improve the over all supply chain of the organization. This project will go a long way in enhancing the product handling and storage capacity of the Lalpir depot. It will help in meeting the furnace oil handling requirements which is in line with the Company's overall strategy of improving the supply chain operations.

Worker's Facility and Truck parking Area at JIMCO

Another major achievement of the C&RF Department in the FY-08, is the construction of the worker's facility at JIMCO, along with the truck parking area at the depot.

The facility has been construc ted to facilitate the workers of the depot and improve the working environment.

Rehabilitation of riot affected NVRO's

During the riots of December 2007, nearly 84 NVRO's were badly damaged across Pakistan. This posed a serious challenge for the company as sales were being affected because of the damages incurred at these NVRO's. The C&RF team worked tirelessly to rehabilitate these outlets within the least possible time, so that sales from these outlets could resume. It was only because of the Herculean effort put in by the team that all of these outlets were restored within 7 days of the damages and sales resumed, thus minimizing losses to the company in the shape of lost sales revenue.

Rehabilitation of Gantry at Keamari Terminal "B" (KTB)

To meet the needs of enhanced fuel oil handling facility for upcountry locations, the fuel handling gantry at KTB has been rehabilitated by C&RF department. This facility will enable the company to effectively meet all the requirements of fuel handling for upcountry demands.

Power Generation Facility at Lubricant Manufacturing Terminal

A power generation facility has been constructed at LMT Korangi to effectively meet the electricity needs of the lube oil blending plant. By installation of this plant, the company is now not dependent on any outside source for the electricity requirements of the plant.

ISO 9001:2000 Certification of the C&RF Department

Keeping in line with the Company's strategy to achieve conformance to highest standards in all its operations, C&RF department has been ISO 9001:2000 certified. The achievement of this certificate marks the beginning of the era of standardization of all the operations of the department and brings in conformance of all activities as per the ISO 9001: 2000 standards. It will immensely help in further streamlining the operations of the C&RF Department.

Quality Assurance

Quality Assurance department of PSO comprises of Quality Control Laboratories at several locations and Mobile Quality Testing Units Network across the country equipped with automatic, computerized and state-of-the-art equipment, for on spot inspection of Quality & Quantity of products at Retail Outlets, PSO Facilities & Industrial Consumers sites. The over all function of the department has resulted in enhancing the efficiency of the organization and maintaining the confidence of customers on PSO products, ultimately enhancing the PSO sales.

Major accomplishments of our Quality Assurance department in FY-08 are as follows:

1. Development & implementation of Integrated Management System (IMS) comprises of Environment Management System ISO 14001:2004, Occupational Health & Safety Management System OHSAS 18001:2007 and QMS ISO 9001:2000 has successfully been performed at Lab Keamari Terminal A (KTA) and MQTU Network across the Country.

2. Six Sigma has been implemented on MQTU Network and Lab Keamari Terminal A (KTA). Six Sigma is a way of measuring processes and a series of tools and methods used to improve processes and services, and is an approach to change the culture of an organization. QA department started the implementation of Six Sigma in the MQTU Network and KTA laboratory in FY-08.
3. Arranged ISO 9001: 2000 Quality Management System Certification of following PSO departments by providing trainings, preparation of documents, internal audits and preparation of external audits at the following sites:

- LPG Plant Dhurnal
- LPG Plant Akora Khatak
- MQTU (whole Network at 16 Locations) for IMS
- Central LAB KTA for IMS
- Lubricant & Chemical (Head Office)
- Logistics Cell (Machike)
- Logistics Cell (Sihala)
- Card Division (Islamabad)
- Procurement & Services
- Construction & Retail Facilities

Alternative Energy & New Projects

A separate department, Alternative Energy & New Projects, has been established in FY-08 within the Company to identify and take initiatives in terms of cheaper renewable/alternative energy projects and to spearhead the successful implementation of its resolve to address the country's energy crisis and lessen the fuel import bill.

Bio-diesel Project

The Economic Coordination Committee (ECC) in its meeting in

February 2008, decided to blend petro diesel with 5% bio diesel by 2015 and 10% bio diesel by 2025. In close coordination and assistance of the Alternative Energy Development Board (AEDB), working under the Ministry of Water & Power, PSO has already started work on the ECC directives. PSO has decided to select non-edible plants like Jatropha Curcas for the production of bio diesel. In order to demonstrate the growth potential of the plant in the local environment and to create awareness amongst the prospective farmers, PSO has established its very own pilot nursery and planted Jatropha on a small area at its installations at Karachi. Jatropha oil has very low sulphur contents (0.13%) versus (1%) of petro diesel. The oil extracted from its seeds blends well with petro diesel because of its unique characteristics. It has various other benefits such as medicinal use, its cake increases soil fertility, utilization of barren land, etc. Witnessing PSO's dedication and focused professional approach to this national cause, the AEDB has extended their support for the project including oil extraction and oil production (esterification) equipment. At PSO, we have carried out the trial production of bio diesel using Jatropha oil meeting standard specification of diesel. Like AEDB, other institutions such as Pakistan Agriculture Research Council (PARC), PCSIR, Quaid-e-Azam University (QAU) Islamabad and Faisalabad Agriculture University have shown tremendous interest and assured in providing support for the project. For successful implementation of the pilot project, PSO has tested bio diesel in a diesel vehicle and would further validate the results with the help of the automotive industry for bio diesel suitability and performance before offering the product to the general public through its retail outlet network at very competitive pricing.

It is a long road to successful launch of bio diesel in Pakistan but keeping in view PSO's established leadership position in various fuels and related businesses, PSO is set to achieve its goal of "Yet Another First".

Health, Safety & Environment

Following are the noteworthy achievements of the HSE department during the fiscal year 2008:

1. WIND AS AN ALTERNATE SOURCE OF ENERGY AT BUFFER OIL TERMINAL (BOT)

   Using alternate sources for power generation is one of the emergent needs of today, besides keeping our environment, pollution free. Wind is one of the most abundant and free natural alternative source of energy. Being a dynamic and innovative energy company, PSO undertook the initiative of producing alternative energy of 3KVA through the installation of a wind mill at PSO Buffer Oil Terminal, Karachi. This system caters to 87% of the total office lighting load, for 8 hours.

Key Achievements

2. IMS CERTIFICATION

PSO has achieved yet another milestone with Integrated Management System (IMS) of Machike and Mahmoodkot installations. This IMS Certification comprises ISO 14001: 2004 and OHSAS 18001:1999. Besides the above facilities, LMT was also certified with ISO 14001: 2004 aligned with existing certification of ISO 9001: 2000.

3. FIRE FIGHTING CAPABILITY AT LMT

Our Lubricants Manufacturing Terminal (LMT), state-of-the-art terminal, has been equipped with the latest fire fighting and fire detection system. An Intelligent Addressable Fire Alarm Panel has been installed with projected beam smoke detectors, fixed temperature heat detectors, and addressable call points.

The Terminal has the capability to fight fire for 4.5 hours with Motor and Diesel driven fire pumps and backed up by sprinkler systems for mezzanine floor and basement.

4. FIRE DRILLS

Fire Drills are a regular feature at facilities and are performed on a fortnightly basis.

5. SOIL AND GROUND WATER TESTING

Land/Soil is the most essential part of ecosystem. It is imperative to control/stop the degradation of land and eventually from man made and natural contaminations. The land gets degraded and looses its strength if the ground water or soil is contaminated with septic tanks, fuel storage, leakage from under ground pipelines etc.

In order to ascertain the extent of contamination of soil and ground water at PSO facilities, a survey study was carried out by consultants in the first phase. The second phase of the testing of the soil and ground water is in progress.

6. SAFETY PERFORMANCE

The company achieved 5.476 Million Safe Operational Man–hours, from July 07 to June 08 without any Lost Work Day (LWD) injury.

The Incident Rate remains = 0.146 (July 07 – June 08) per million Man-hours.

7. OCCUPATIONAL HEALTH

Occupational Health Management System involves predicting vulnerabilities, promoting good health and protecting the human resources at the work place.

Following activities pertaining to occupational health were performed during the period:

A. BASIC LIFE SUPPORT (BLS) TRAINING SESSIONS

Basic Life Support (BLS) sessions were conducted successfully at PSO House and Lubricant Manufacturing Terminal (LMT) to create awareness amongst PSO employees on life saving mechanisms.

B. MEDICAL CAMP

Two medical camps were organized at Lahore and Islamabad Divisional Offices in March 2008, where free medical tests were carried out along with a presentation by renowned chest specialists on "Smoking and its hazards".

C. HSE ALERT

HSE Alerts are a regular source of providing information on occupational Health and Safety. A number of HSE Alerts were issued on important subjects pertaining to Health, Safety & Environment.

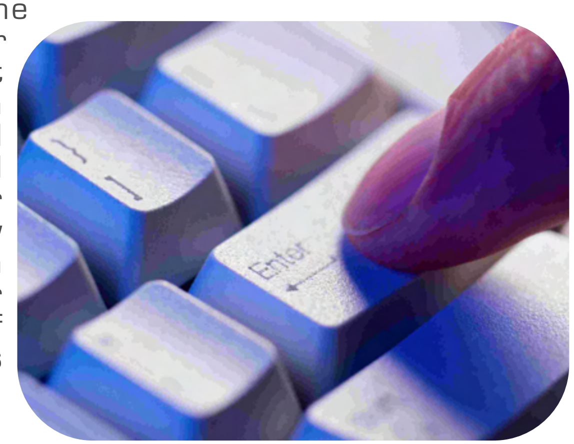
D. HSE TRAINING

In view of the importance of occupational health a number of training sessions were conducted by HSE personnel during routine HSE audits and visits on 'Material Safety Data Sheets', 'Risk Assessment', 'Office Safety and Defensive Driving' etc.

Information Technology

The key IT achievements for the review period include:

1. New lotus workflow based applications were introduced in the IT department in order to automate business processes.
2. A new help desk work flow based application was launched, which resulted in better management and timely resolution of user complains.
3. In communications, IT is continuing to explore and implement new technologies that are more economical and offer higher levels of reliability. GPRS technology is being used to connect retail stations with PSO Head office.
4. PSO is in the process of integrating the ERP with the internet using Netweaver platform.
5. A network topology transition has been initiated, i.e. from star topology to mesh. Local area network security has been upgraded; it has a security framework that combines multiple layers of products and services to provide comprehensive, continuous virus, spam and spyware protection at every network entry point.
6. State-of-the-art intrusion prevention systems for both internal and external threats have been implemented.
7. Communication facilities were improved by installing video-conferencing facility between five remote locations and PSO Head office.
8. ISO/IEC 27001:2005 (Information Security Management System) is the latest internationally recognized certification in the series of management standards that is being implemented by PSO Information Systems department. The necessary documentation required for the system has been completed and part of the system is already implemented.
9. PSO achieved the capability of continuous supply-chain incase of any disaster at a primary site. Incase of any emergency, the Disaster Recovery Site at another location has been evolved into a full fledged operation center with necessary infrastructure in place for continuity of business operations.



Notice of the Meeting

Notice is hereby given that the Thirty-Second Annual General Meeting of the Company will be held at the Hotel Pearl Continental, Club Road, Karachi on Wednesday, October 15, 2008, at, 10:00 A.M. to transact the following business:

Ordinary Business

1. To confirm the minutes of the Thirty-First Annual General Meeting held on September 18, 2007.
2. To receive and adopt the audited accounts for the year ended June 30, 2008, together with the report to the Shareholders and Auditors report thereon.
3. To lay information before the members of the Company of the appointment of Messrs A.F. Ferguson & Co. and KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Company, for the year ending June 30, 2009.
4. To declare and approve final dividend of 125%, in addition to the interim dividend of 110% already paid, thereby making a total dividend of 235% for the year ended June 30, 2008.

AND

5. To transact any other Ordinary Business of the Company with the permission of the Chairman.

By Order of the Board
Amjad Parvez Janjua
Company Secretary

Karachi: September 11, 2008

Notes

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. A proxy form is enclosed.
2. The Share Transfer books of the company will remain closed from 9th October 2008 to 15th October 2008 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar M/s THK Associates (Pvt) Ltd., State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, up to the close of business on 8th October 2008, will be considered in time to be eligible and entitled to Final Dividend.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.

4. Members are requested to notify immediately changes, if any, in their registered addresses to our Share Registrar, M/s THK Associates (Pvt) Ltd.

5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

A. For attending the meeting:

i) Individuals, the account holder or sub-account holders shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport along with participants I.D. number and their account number at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxy:

i) Incase of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

iii) Attested copies of the NIC or the passport of the beneficial owners and of the Proxy shall be furnished with the proxy form.

iv) The Proxy shall produce his/her original NIC or original passport at the time of the meeting.

v) Incase of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form to the Company.

PSO: Report to Shareholders

31 years and 3568 stations later we're still at the top of our game!

Report to Shareholders

The Board of Management of PSO is pleased to present the thirty-second annual report and the audited financial accounts of the Company, for the year ended June 30, 2008. This Report presents the financial, operating and corporate responsibility performance of the Company, and highlights the key business challenges faced by us during the year.

Your Company continued its journey of success and marked its 31st anniversary with a record profit after tax of Rs. 14.05 billion and has emerged with a more progressive and dynamic outlook.

Overall, during 2007- 08 PSO performed exceptionally well, established new milestones and reinforced market leadership in major products of its business portfolio i.e. Motor Gasoline (Mogas), Hi-speed Diesel (HSD) and Fuel Oil (FO), despite competitive challenges posed by existing players and supply constraints.

GLOBAL AND DOMESTIC BUSINESS ENVIRONMENT

Global as well as domestic business environments faced numerous challenges relating to rising crude oil prices, devaluation of USD against major currencies, food and commodity crisis and consequent inflationary pressure.

The Pakistan economy nevertheless showed resilience against global externalities and domestic shocks, and grew by 5.8%

PETROLEUM INDUSTRY OVERVIEW

FY2008 witnessed an unprecedented rise in crude oil prices. US WTI crude oil price hit USD139.9 a barrel on June 30, 2008. A major reason underlying soaring oil prices has been the weakening of the USD due to which, it is assumed that certain investors used oil as a hedge against USD devaluation.

Despite a relatively balanced supply-demand position, and in the absence of major supply disruptions, insufficient refining capacity in major consumer nations also contributed to rising crude oil prices. Besides, the geo-political instability in certain key oil supplying countries (i.e. Iraq, Iran, Nigeria and Venezuela) had an upward impact on oil prices.

During FY-08, petroleum consumption in the country crossed over 18 millions tons – an all time high level – consequent to a robust 8% growth over the previous year. This unusual high growth was the result of increased consumption of Mogas, High Speed Diesel (HSD), Superior Kerosene Oil (SKO) and Furnace Oil (FO). High growth in Mogas and HSD was due to control over smuggling of the products from Iran, increase in the population of vehicles and extraordinary increase in the use of generators for electricity supply backup.

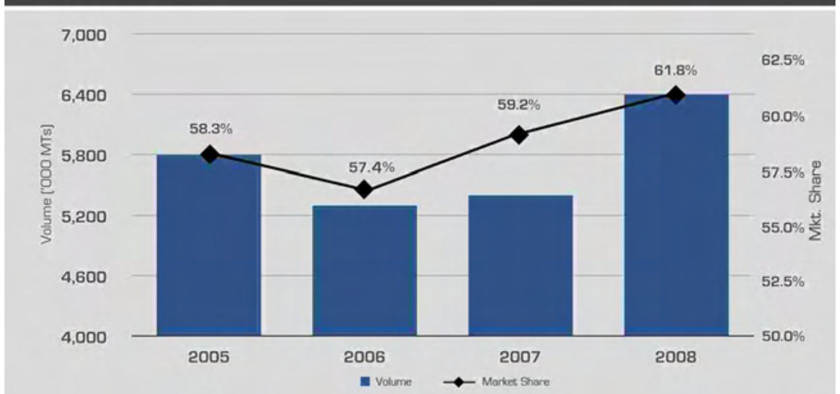
Consumption of Black Oil (Fuel Oil) and Light Diesel Oil (LDO) grew to 7.7 million tons – an increase of 1% over the preceding year. It is to be noted that since 2005 Black Oil demand has shown growth owing to supply constraints of natural gas. Reduced hydro-electric power also contributed to the rise in Fuel Oil consumption. This growing Fuel Oil consumption is expected to continue in the coming years.

During FY-08, local refineries produced 9.6 million tons, while the deficit requirement of around 9.2 million tons was imported. The major chunk of the demand was in FO and HSD, for which 4.2 million and 4.5 million tons were imported respectively.

PSO PERFORMANCE

During FY-08, PSO sold over 13 million tons of POL products, showing an 11% growth, substantially surpassing the 8% industry growth.

White Oil



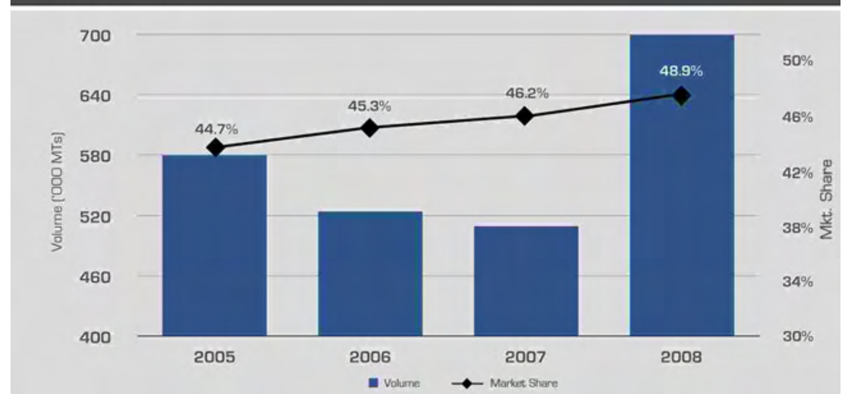
In White Oil, PSO enhanced its market share appreciably from 59.2 % in FY 2007 to 61.8%. Similarly in Black Oil, PSO's share increased to 82.3%.

PSO's increased White Oil market share was possible due to continued aggressive marketing initiatives, including the expansion of the New Vision retail network and enhanced contribution of its fuel cards, which substantially contributed towards sales volume growth.

PSO enhanced its Mogas market share to 48.9% Vs. 46.2% of last year. This shows our Mogas sales volume increased by 34% outperforming industry growth of 26%.

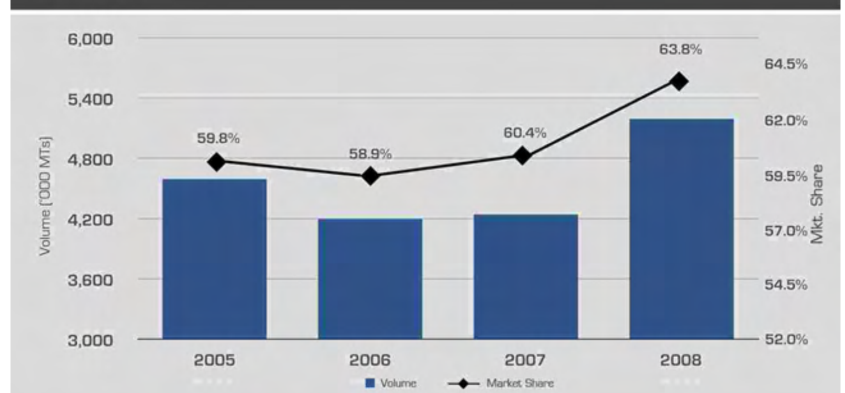
Our HSD sales recorded an impressive 20% growth, outperforming the industry that increased over 13%. As a result, the Company's market share increased to 63.8% Vs. 60.4% during the preceding year.

MOGAS



PSO achieved an impressive HSD sales volume of 5.3 million tons and 0.72 million tons for Mogas against the previous year's sales of 4.4 million tons and 0.54 million tons respectively.

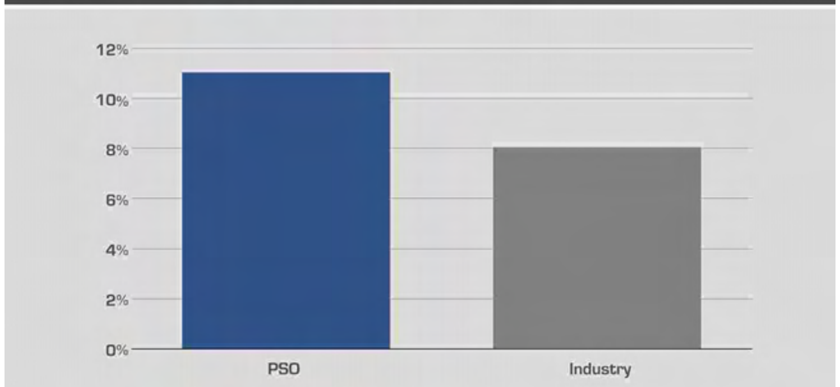
HSD



Report to Shareholders

You will be pleased to note that against the overall industry increase of 0.96 million tons of HSD during the year under review, PSO successfully captured almost 90% of the total increase.

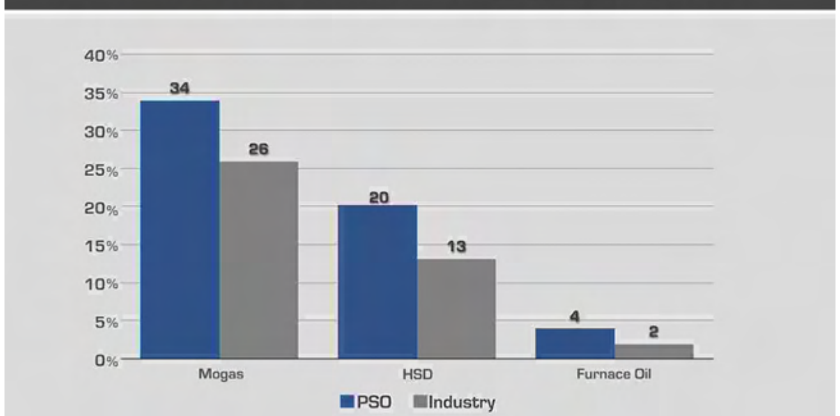
Overall Sales Volume Growth



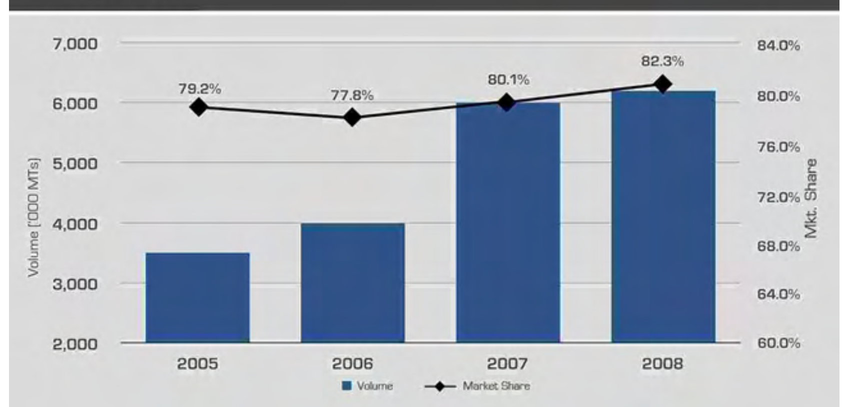
In FY-08, PSO's market share in Jet fuel (excluding exports) stood at 63.9%. In order to maintain its leadership position in the aviation industry, PSO developed an exclusive aviation, consumer and retail facilities at the newly developed Sialkot International Airport (SIAL). PSO's refueling facility at SIAL is fully capable of providing services to larger body aircrafts as per international Aviation Quality Control and Safety Standards.

In Black Oil, PSO sales grew by over 4% in Fuel-Oil (FO) mainly due to an increased demand by the power generation sector. Throughout FY-08 the Company actively pursued new business of up coming IPPs and successfully signed Fuel Supply Agreement/ Memorandum of Understanding with Atlas Power

Volumetric Growth of Different Products



Black Oil



Providing fuelling facilities at 9 airports nationwide

Company Limited, Halmore Power Company Limited and KAPCO – II to fulfill their future fuel requirements for power generation.

In addition, the Company continued its dominating streak in winning tender businesses of major Government entities like Defence, Director General (Agri), Pakistan Steel, National Logistics Corporation (NLC), Heavy Industries Taxila (HIT), Pakistan Ordnance Factory (POF) WAH etc despite exogenous market constraints.

In Light Diesel Oil (LDO), our market share stood at 37.6%. In this product, PSO experienced a decline of 29% mainly due to the advent of new market players who have refinery backup. LDO is only 1.6% of the country's Black Oil sales.

During the year, PSO added 24 New Vision retail outlets, bringing the total number of such outlets to over 1,633. PSO's "Green Station" concept, launched last year, is also being implemented gradually at strategically located outlets. Moreover during the year, the Company closed down 81 non-performing retail outlets under the "Retail Rationalization Program". Throughout the year, the Company has maintained its strong focus on the CNG business and added another 30 stations bringing the total to 240, which is the highest number of stations developed by an OMC in the country.

Cards

Besides serving the customers with the existing fuel-based cards, PSO introduced a new member in the family of cards i.e. PSO Commercial Card. This card was launched to meet customers' commercial fueling requirements for the purchase of Premier XL or Green XL Plus Diesel.

PSO Lubricants

During FY-08, the Company sold 35,000 MTs of lubricants translating into a market share of around 26.6%. Since March 2008, PSO is selling its own "DEO" and "Carient" brands. PSO and BP Castrol mutually terminated their 40 years business alliance on the Castrol brand lube marketing in February 2008, as BP had decided to launch its own operation in Pakistan. Based on the changed environment your management has put in place aggressive marketing and distribution plans to grow its lubricant market share.

Non Fuel Business

PSO is also promoting growth of its Non Fuel business and has launched a few initiatives new to the local oil marketing sector. For the convenience of its customers ATM's were installed in collaboration with leading banks at selected retail outlets. The Company also established a food outlet as part of its Quick Service Restaurant (QSR) network plan, in collaboration with a foreign fast food chain at one of its retail outlet. The most recent introduction to the forecourt is the establishment of the 'FedEx' Courier Service facility. Besides this PSO customers can now experience the state-of-the-art car cleaning solution 'Wash Express' which has been introduced at selected outlets.

OPERATIONS

PSO handled over 13 million tons of fuel, including 6.4 million tons of Black Oil, mainly to cater to the growing needs of PEPCO, HUBCO and other IPPs.

Throughout the year, emphasis was placed on making operational activities more economical, efficient and customer-oriented. The Company successfully met with the stiff challenges in terms of the highest ever POL demand, specifically the huge

Catering to national demands with our state of the art lubricant manufacturing terminal

Fuel Oil demand of the power sector. With relentless efforts by the PSO team at operating locations, un-interrupted supplies were made round-the-clock to meet the customers' fuel oil demand.

Your management continued Company's policy of continuous improvement, operational cost containment and total customer satisfaction throughout the year, keeping critical operating parameters (i.e. quality, quantity and timeliness) under control. This helped the Company to attract new customers, especially the hospitality customers while retaining the existing customers in a changing competitive environment.

The management of operational activities at the Joint Installation at MehmoodKot (JIMCO), working with Shell and Chevron as partners, were also effectively managed.

SUPPLY

During FY-08, PSO arranged 40% of the products for its retail and industrial consumers from local refineries, whereas the remaining 60% were imported. The Company has more than 80% share in the import of deficit products in the country, for which 144 import vessels were handled - the highest number in the last five years. Out of these 144 vessels, 62 carried Black Oil and the remaining 82 carried White Oil products.

PSO maintained its leadership in Diesel and Furnace Oil imports at competitive rates and imported more than 3.4 million tons of Diesel and 4.1 million tons of Furnace Oil during the year. In addition to these, 493,000 tons of LSFO was imported to meet the Kot Addu Power Co. Ltd. (KAPCO) requirement which was in addition to the acquisition of locally produced 390,000 tons.

To optimize storage utilization, PSO provided hospitality to refineries and OMC's which resulted in a sizeable earnings growth.

LOGISTICS

The Company successfully managed to maintain an uninterrupted flow of POL supplies to all customers, especially to the large power generation sector. The period under review saw the tragic event of 27th December 2007, that severely damaged the logistical network (rail and road). In addition to this, the emergency shut-down of PARCO that coincided with scheduled turnaround of Bosicor and Attock Refinery, also posed serious challenges to the product movement. However, the Company managed to overcome all these challenges and met the customers demand with total satisfaction.

Through well-coordinated and integrated efforts of all components of the supply chain and with the support of PSO's carriage contractors and Pakistan Railways, the Company moved 7.3 million MTs of products from its different locations. PSO handled the Fuel Oil volume of 225,000 MTs in February 2008 - the highest volume transported during a month in the last three years and also the highest ever volume of 46,600 MTs of LSFO during January 2008.

HUMAN RESOURCE DEVELOPMENT

PSO management has been making a sizeable investment in the Human Resource Development of the Company. Extra emphasis is placed on the training aspect of existing employees. The average training man-hours per employee have been increased from 2.5 days to 4 days. During the year 215 training sessions were held which benefited 2,220 employees. These training sessions were organized on marketing and sales, teamwork, general management, leadership, communication, realizing potential, quality management, achieving excellence, supply chain management and quality and quantity control of cargo and tank systems.

Moreover, the PSO internship program worked effectively during FY-08 from which 225 students of various universities benefited.

Engage Human Resources and Pakistan Society of Human Resources Management (PSHRM) conducted a preference study in 2007, interviewing 550 graduating MBA's. As a result of this survey PSO was bestowed with the 'Most Preferred Local Company Award'.

Throughout the year the relationship between management and the bargainable employees remained cordial.

Corporate Social Responsibility

During FY-08, the Company fully carried out its social responsibility to the society by focusing on three major platforms. They are education, health care and community building, which entails activities for women empowerment, children welfare and relief efforts during and after natural calamities.

Being a conscientious corporate citizen, the Company played a key helping role during the 2007 flood in Turbat and Pasni, in Balochistan, by sending relief goods as well as refueling relief flights to the area.

Your Company also played a leading role in making people aware of the need for energy conservation. A public service media campaign was run in the leading print and electronic media of the country, making people aware of the ways and means through which energy can be saved for the country.

During FY-08, the Company financially supported several institutions enabling education to reach to the under privileged nationwide. With the help of the Heritage Foundation, PSO helped in the building two schools in the earthquake affected areas of Mansehra, whereas five more schools are in the pipeline in collaboration with The Citizens Foundation.

In FY-08, the Company supported many institutions through donations, prominent among which are Child Aid Association (Jinnah Hospital), Burns Center (Civil Hospital), Loralai District Headquarter Hospital, Frontier Foundation, Dowites Operation Theatre Society (Civil Hospital) and Marie Adelaide Leprosy Center in Gawadar.

Total Quality Management

In its pursuit to bring significant operating efficiencies and achieve the highest level of customer satisfaction, the Company has already implemented ISO Certification of its major functions and facilities. During FY-08, ISO 9001: 2000 Quality Management System Certification was earned by several departments making approximately 70% of the Company ISO compliant.

Health Safety and Environment

Overall the Company maintained and improved its safety record and achieved 5.476 Million Safe Operational Man hours during FY-08 without any Lost Work Day (LWD) injury.

PSO's commitment to health, safety and environment was further endorsed when the Company won the Royal Society of the Prevention of Accidents (RoSPA) Gold Award 2008. PSO is the first OMC in Pakistan that has achieved this recognition. In addition to this the Company also managed to win the Environment Excellence Award 2007 and Health and Environment National Excellence Award 2007.

Report to Shareholders

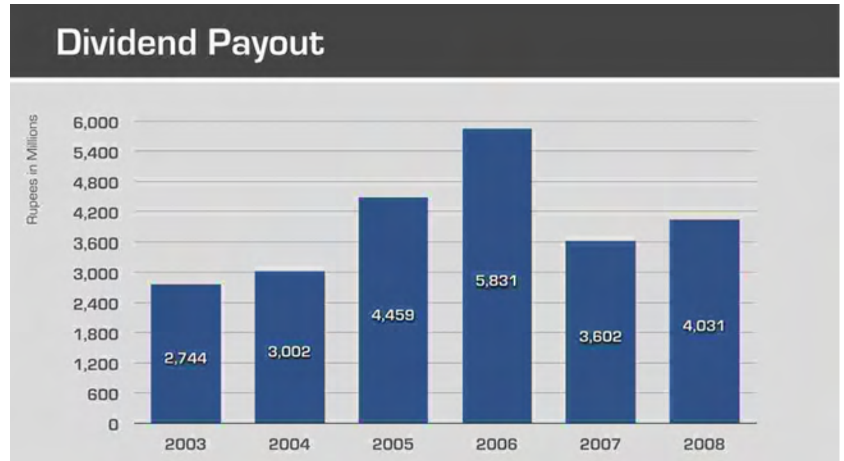
FINANCIAL RESULTS

For the year ended 30 June 2008, the Company achieved impressive performance with a turnover touching Rs. 583 billion (US$ 9.4 billion) showing an increase of 42%. PSO is the largest corporate entity in Pakistan based on turnover. Profit before tax at Rs. 21.4 billion and profit after tax at Rs. 14.1 billion were the highest ever earned by the Company. The earning per share at Rs. 81.94 was also at record level showing a 200% increase over Rs. 27.24 last year.

Profit Appropriation	2008	2007
	(Rs.in million)	
Total profit available for appropriation	14,057	4,705
Transfer to general reserve	10,000	1,100
Interim dividend @ 110% already paid	1,887	1,715
Proposed final dividend @ 125% i.e Rs 12.5/- per share of Rs.10/-	2,144	1,887
Total dividend for the year	4,031	3,602
	14,031	4,702
Unappropriated profit carried forward	26	3

Based on ever increasing oil prices, especially during Jan-June 2008, PSO made record earnings during 2008 mainly due to one time inventory gains. Last year the Company had an inventory loss. Subsequent to the year end 2008, the international oil prices have shown a downward trend which, if it maintains a similar trend may cause corresponding inventory loss for the period.

Excluding the one time large inventory gain, the 2008 operating profit increased by about 40% in line with the massive growth in both regulated and non-regulated business delivered by the Company during the year.

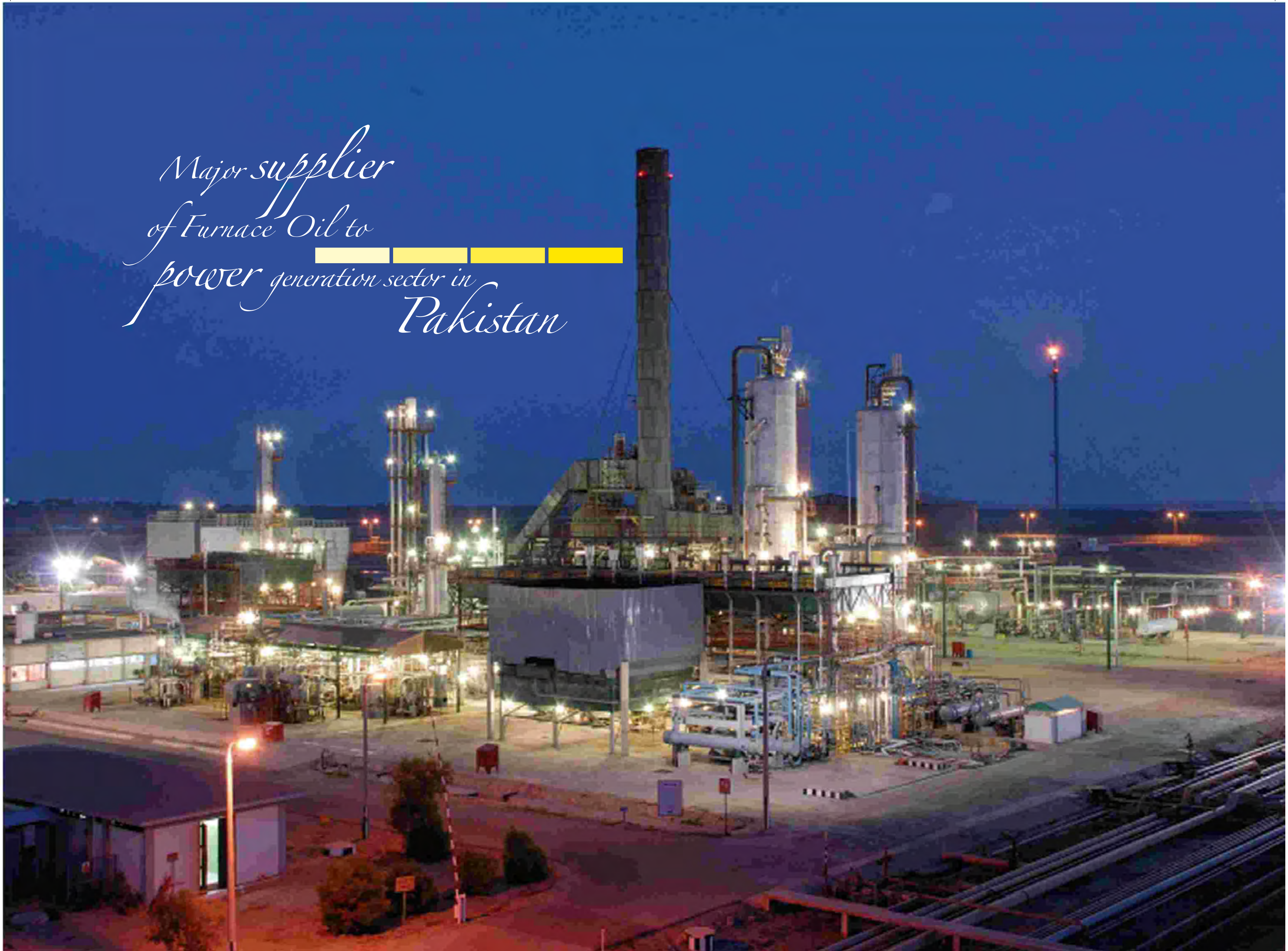


Company's income tax payments during 2008 at Rs.7.3 billion Vs Rs.2.4 billion last year showed an increase of 200% mainly due to 35% tax on inventory gain recorded in 2008 accounts.

Based on these results, the board announced a dividend of Rs. 12.5 per share. Combined with the earlier interim dividends aggregating Rs. 11 per share, the total dividend for the year stood at Rs. 23.5 per share translating into a total payout of Rs. 4 billion to the shareholders.

Cash Flow Constraints

Despite being profitable, PSO faced serious liquidity problems due to ever-increasing receivables from the government resulting in galloping financial cost. Due to rising international prices, Major supplier of Furnace Oil to power generation sector in Pakistan



government continued to provide a very high level of subsidy to the consumers in Pakistan. The subsidy on diesel touched the highest ever level at Rs. 37.07 per litre in June 2008.

The subsidy accumulation on account of Price Differential Claims (PDC) of your Company reached a record level of Rs. 43 billion in April, 2008. However, a reimbursement of Rs. 20 billion was received from GOP on June 30, 2008, thus mitigating the cash flow crunch to some extent at the year end.

In addition to PDC, large fuel consumers like PEPCO, HUBCO and PIA also defaulted on payments to PSO, thereby further aggravating the liquidity position. As on June 30, 2008 receivables from these entities stood at Rs. 27 billion adding to Company's cash flow problems.

Subsequent to the year end, total receivables on account of PDC and IPP dues have again accumulated to Rs. 75 billion in end August 2008.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

PSO Board of Management is fully cognizant of its responsibility as recognized by the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). The following are the comments on acknowledgement of PSO's commitment towards high standards of Corporate Governance and continuous improvement:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of the accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data of the last ten years in summarized form is annexed.
- The following is the value of investment of provident and pension funds based on their respective un-audited accounts as on 30 June 2008.

	Rs. Million
PSOCL Management Emp. Pension Fund	1,259
PSOCL Workers' Staff Pension Fund	867
State Oil Co. Ltd. Staff Provident Fund	869
State Oil Co. Ltd. Employees Provident Fund	629
PSOCL Employees Gratuity Fund	296

- During the year, six meetings of the Board of Management were held and the attendance by each member is given on page no.139.
- The pattern of shareholding is annexed.

CHANGES IN BOARD OF MANAGEMENT

During FY-08, certain changes took place in the constitution of PSO's Board of Management (BOM), resulting in replacement of the Chairman and certain members of BOM. Besides, the new Managing Director of PSO was appointed during the year. Accordingly, Sardar Muhammad Yasin Malik replaced Mr. Pervaiz Kausar as Chairman while Mr. Mohammad Abdul Aleem replaced Mr. Jalees Ahmed Siddiqi as Managing Director.

In addition, Mr. Muhammed Yousaf Qamar Hussain Siddiqui, Haji Amin Pardessi, Mr. Iskander Mohammed Khan and Mr. Iftikhar Asghar became the members of BOM, whereas Mr. Tariq Kirmani, Mr. Tariq Iqbal Khan and Mr. Kamran Mirza ceased to be members of BOM. Mr. Iftikhar Asghar, however, later on resigned from the membership of BOM. PSO wishes to take this opportunity to welcome the new chairman and members of BOM, and place on record its appreciation for participation and contributions by the outgoing BOM members.

OUTLOOK AND CHALLENGES

As 80% of the Country's energy demand is met by import, the abnormal surge in international crude oil prices in the past one year has adversely affected the economy and the business. This increase in international prices has led the Government to the decision of adjusting and reducing the profit margins of Oil Marketing Companies and refineries. With the reduction in OMC's margin, PSO's future performance would be dependent on cost savings, increased sales and high operating efficiencies. Your Company has already embarked upon various initiatives aiming at sustainable earnings including focusing on the growth of Non Fuel Retail business and further expanding CNG network and introducing LPG auto gas filling facilities at retail outlets.

To increase operational efficiency, reduced depot model (12+1) recently announced by the government will ensure higher operational efficiencies. The Company has proactively aligned its resources in view of the new supply regime and would further rationalize its resources to the optimal level.

Your management is fully aware of the need and is working on plans to boost its lubricant sales performance. Plans are in place to further enhance PSO brand equity with aggressive marketing efforts supported by print and electronic media. PSO also would aggressively pursue market development and selective penetration strategy in the years to come.

The Company would continue to maintain focus on its cards business to provide better service to its customers. PSO believes that the future growth lies in innovation, highest level of customer service and diversification into new business areas.

Being fully aware of the global trend in the development of alternative and renewable energy resources, the Company has already initiated research and development work on bio-diesel and tests are in advance stages to blend it with conventional diesel.

However, the most critical success factor for PSO and the oil and energy sector will be the earliest resolution of, current circular debt issue. PSO management will continue to stress upon the authorities that timely payment of PSO debts by GOP and IPPs is critical to ensure timely, sustained and sufficient supply of fuel in the country.

We would like to take this opportunity to thank our business partners including dealers and cartage contractors, employees, and the shareholders for their support in making all our efforts successful and taking the Company to the next performance level. We would also like to thank Government of Pakistan especially Ministry of Petroleum & Natural Resources for their continued support during the year. We look forward to another year of achievements as we continue to create value for all our stakeholders while working to meet the country's growing demand for energy.

Muhammad Abdul Aleem	**Sardar M. Yasin Malik**
Managing Director	Chairman

Karachi: September 5, 2008

PSO: Financial Overview

Driving the Nation's Economy

PSO at a Glance

Rupees in Million (Unless Noted)

		2008	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Sales Volume (Million Tons)		13.0	11.8	9.8	9.7	8.6	10.8	11.5	12.6	12.7	12.1
Profit & Loss Account											
Sales Revenue		583,214	411,058	352,515	253,777	195,130	206,376	182,323	195,039	135,040	115,636
Net Revenue		495,279	349,706	298,250	212,504	161,538	172,446	153,111	143,306	102,467	61,697
Gross Profit		30,024	12,259	17,207	13,746	9,191	8,955	6,777	6,372	5,670	5,245
Operating Profit		22,451	7,950	11,264	9,340	6,452	6,484	5,709	3,822	3,927	3,646
Marketing & Administrative Expenses		4,425	3,748	3,428	3,219	2,654	2,465	1,907	2,034	1,788	1,428
Profit before Tax		21,377	7,122	11,418	9,191	6,263	6,209	5,137	3,451	3,581	3,356
Profit after Tax		14,054	4,690	7,525	5,656	4,212	4,030	3,188	2,251	2,231	2,671
Earning before Interest, taxes, depreciation & Amortization (EBITDA)		23,912	9,420	13,385	10,546	7,244	7,113	6,328	4,347	4,368	4,063
Capital Expenditure		620	1,609	717	1,506	2,096	1,643	1,430	1,254	967	397
Balance Sheet											
Share Capital		1,715	1,715	1,715	1,715	1,715	1,715	1,429	1,429	1,429	1,191
Reserves		29,250	19,224	19,098	15,830	13,731	11,348	9,823	8,379	7,557	6,993
Shareholders' Equity		30,965	20,939	20,813	17,545	15,446	13,063	12,396	10,666	9,987	8,899
Property Plant & Equipment		7,567	8,012	7,519	8,111	7,619	6,352	5,427	4,625	3,897	3,352
Net current assets		22,143	11,128	10,978	7,970	6,309	4,531	4,183	5,367	5,615	5,188
Long Term Liabilities		2,409	2,412	2,299	1,999	1,636	1,358	1,103	1,142	1,099	951
Profitabiltiy Ratios											
Gross Profit ratio	%	5.1	3.00	4.88	5.42	4.71	4.34	3.72	3.27	4.20	4.54
Net Profit ratio	%	2.4	1.14	2.13	2.23	2.16	1.95	1.75	1.15	1.65	2.31
EBITDA margin	%	4.10	2.29	3.80	4.16	3.71	3.45	3.47	2.23	3.23	3.51
Return on Shareholders' Equity	%	45.4	22.4	36.2	32.2	27.3	28.3	25.7	21.1	22.3	30.0
Return on total assets	%	11.1	6.30	10.72	10.90	9.90	12.50	9.70	7.50	7.20	10.40
Return on capital employed	%	68.1	35.4	54.2	48.9	40.8	44.9	46.1	34.8	38.6	39.6
Asset utilisation											
Inventory turnover ratio	(x)	12.7	11.7	11.5	11.2	13.1	19.7	18.7	18.5	16.0	13.1
Debtor turnover ratio	(x)	24.6	32.5	37.8	39.9	40.1	35.4	22.5	21.5	13.7	8.5
Total asset turnover ratio	(x)	5.78	5.70	5.76	5.37	5.22	6.34	5.79	6.40	4.79	4.22
Fixed asset turnover ratio	(x)	74.3	52.0	44.4	31.7	27.5	34.8	36.3	45.8	37.3	34.4
Investment											
Earning per share	Rs	81.94	27.3	43.9	33.0	24.6	23.5	18.6	15.8	15.6	18.7
Market value per share	Rs	417.24	391.5	309.0	386.0	256.8	228.4	140.0	132.5	163.0	92.5
Break-up value	Rs	180	121.7	121.0	101.0	90.0	83.0	87.0	75.0	70.0	75.0
Price earning ratio (P/E)	(x)	5.1	14.3	7.0	11.6	10.4	9.7	7.5	8.4	10.4	5.0
Dividend per share	Rs	23.5	21.0	34.0	26.0	17.5	16.0	13.0	10.0	10.0	9.0
Bonus share	%	-	-	-	-	-	-	20.0	-	-	20.0
Dividend payout	%	28.68	76.8	77.5	78.8	71.3	68.1	80.7	63.3	64.1	58.8
Dividend yield	%	5.63	5.36	11.00	6.74	6.82	7.01	9.29	7.55	6.14	9.73
Dividend cover ratio	(x)	3.48	1.30	1.29	1.26	1.40	1.46	1.71	1.57	1.56	2.49
Leverage											
Interest Cover ratio	(x)	16.4	6.86	12.74	25.87	34.14	23.58	9.98	10.30	11.35	12.57
Current Ratio	(x)	1.24	1.22	1.24	1.24	1.25	1.34	1.28	1.34	1.34	1.37
Quick Ratio	(x)	0.57	0.64	0.63	0.62	0.66	0.79	0.80	0.90	0.91	1.04
Contribution											
Employees as remuneration		2,438	2,006	1,857	1,870	1,474	1,403	990	1,292	1,102	776
Government as taxes		85,208	68,096	58,822	38,823	50,942	53,699	45,946	52,933	33,923	54,625
Shareholders as dividends		4,031	3,602	5,831	4,459	3,002	2,744	1,858	1,429	1,429	1,072
Retained within the business		10,000	1,100	1,900	1,230	1,210	1,290	1,040	820	800	1,360
Financial charges to providers of finance		1,368	1,158	884	371	189	275	571	371	346	290

Financial Analysis

VERTICAL ANALYSIS

BALANCE SHEET - Key Items

	2008	2007	2006
Property, plant and equipment	5.95%	10.89%	10.94%
Stock-in-trade	49.06%	39.55%	40.14%
Trade debts	26.67%	18.20%	16.70%
Cash and bank balances	2.37%	2.04%	2.71%
Total Current Assets	91.16%	83.64%	82.71%
Total Assets	100.00%	100.00%	100.00%
Total Shareholders Equity	24.36%	28.02%	29.66%
Trade and other payables	63.78%	55.44%	52.47%
Short term borrowings	8.65%	12.13%	10.90%
Total Current Liabilities	73.74%	68.76%	67.06%
	100.00%	100.00%	100.00%

PROFIT & LOSS ACCOUNT - Key Items

Sales	100%	100%	100%
Net sales	84.9%	85.1%	84.6%
Cost of products sold	79.8%	82.1%	79.7%
Gross Profit	5.15%	2.98%	4.88%
Total Operating Costs	1.59%	1.46%	2.08%
Profit from Operations	3.85%	1.93%	3.20%
Finance cost	0.23%	0.28%	0.25%
Profit before taxation	3.67%	1.73%	3.24%
Net Profit	2.41%	1.14%	2.13%

Financial Analysis

(Amounts in Rupees '000)

HORIZONTAL ANALYSIS

BALANCE SHEET - Key Items

	2008	2007	2006
Property, plant and equipment	99%	106%	100%
Stock-in-trade	221%	105%	100%
Trade debts	289%	116%	100%
Cash and bank balances	159%	80%	100%
Total Current Assets	200%	108%	100%
Total Assets	181%	107%	100%
Total Shareholders Equity	149%	101%	100%
Trade and other payables	220%	113%	100%
Total Current Liabilities	199%	109%	100%

PROFIT AND LOSS ACCOUNT - Key Items

Sales	165%	117%	100%
Net sales	166%	117%	100%
Gross Profit	174%	71%	100%
Distribution and marketing expenses	131%	111%	100%
Administrative expenses	124%	105%	100%
Total Operating Costs	127%	82%	100%
Finance cost	155%	131%	100%
Profit before taxation	187%	62%	100%
Net Profit	187%	62%	100%

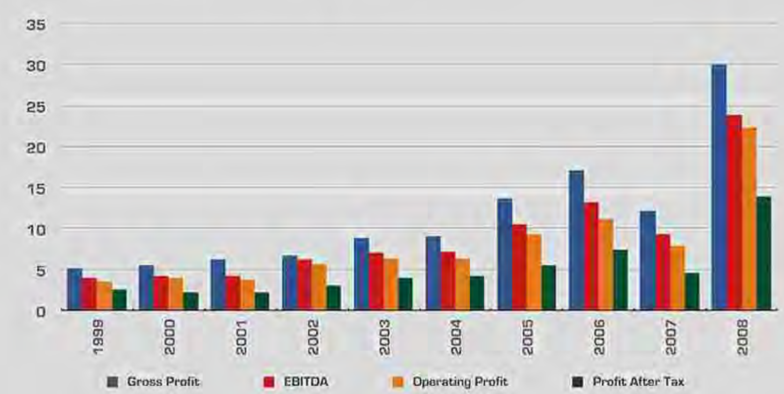
SUMMARY OF CASH FLOW STATEMENT

Cash inflow from operating activities	4,050,125	3,691,454	1,633,774
Net cash (outflow) from investing activities	(172,926)	(707,953)	(173,687)
Net cash (outflow) from financing activities	(9,649,840)	(1,565,507)	(4,104,443)
Cash & Cash equivalents at end of the year	(7,190,672)	(1,418,031)	(2,836,025)

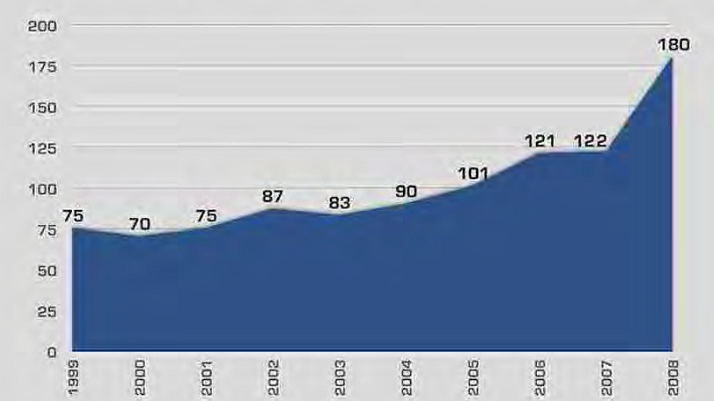
Financial Trend

Sales Revenue (Rs billion)

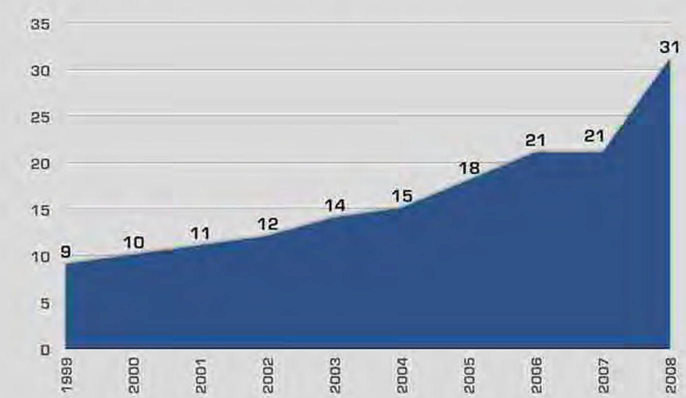
Profitability Analysis (Rs billion)



Breakup Value (Rs per share)



Shareholders Equity (Rs billion)



Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. Under section 5 of the Marketing of Petroleum Products (Federal Control) Act, 1974 (the Act), the Federal Government has taken over the management of the Company and the Act shall have effect notwithstanding anything contained in the Companies Act, 1913 (now Companies Ordinance, 1984) or the Companies (Managing Agency and Election of Directors) Order, 1972 or any other law for the time being in force. A ten-member Board of Management (BOM) including a Managing Director (MD), is appointed by the Federal Government to run the operations of the Company. Under section 6 of the Act, the administration and management of the Company is vested in MD of the Company and the MD shall exercise and perform all the powers and functions of the Board of Directors of the Company. Furthermore, provisions relating to the Board's affairs are governed through Board of Management Regulations, 1974 approved by the Federal Government. The 'Code of Corporate Governance' promulgated by the Securities and Exchange Commission of Pakistan (SECP) has laid down certain criteria for the election, functioning and responsibilities of the Board of Directors. However, the said criteria of the Code are not considered applicable to the extent of overriding provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974, and Board of Management Regulations, 1974 approved by the Federal Government.

2. The members of BOM have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident members of the BOM are registered as taxpayers except for one who is an agriculturalist, and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurred in the board due to resignation of a BOM member during the year. The said vacancy has not yet been filled-up.

Statement of Compliance

with the Code of Corporate Governance

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by employees of the Company.

6. The BOM has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies, approved or amended, has been maintained.

7. All the powers of the BOM have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the BOM.

8. The meetings of the BOM were presided over by the Chairman and the BOM met at least once in every quarter. Written notices of the BOM meetings, along with agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and were placed for approval of BOM in subsequent meetings.

9. The members of BOM are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations.

10. The board has approved the appointment of the Company Secretary and the Head of Internal Audit. There has been no change in the position of Chief Financial Officer during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the BOM.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

Statement of Compliance
with the Code of Corporate Governance

15. The BOM has formed an audit committee. It comprises of 4 members, all of whom are non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The BOM has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

Muhammad Abdul Aleem
Managing Director

Karachi: August 12, 2008

Review report to the members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2008 prepared by the Board of Management of Pakistan State Oil Company Limited to comply with the Listing Regulations of respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Management of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2008 except that certain clauses of Code of Corporate Governance are considered inapplicable due to overriding provisions of Marketing of Petroleum Products (Federal Control) Act, 1974 applicable to the Company, as more fully explained in the Statement of Compliance with the Code of Corporate Governance.

A. F. FERGUSON & CO.
Chartered Accountants

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: September 10, 2008

Auditors' report to the members

for the year ended June 30, 2008

We have audited the annexed balance sheet of Pakistan State Oil Company Limited as at June 30, 2008 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 accounts 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 accounts and are further in accordance with accounting policies consistently applied;

   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, 2008 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 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to:

- Notes 14.1 & 14.3 to the financial statements. The Company considers the aggregate amount of Rs. 4,371 million due from the Government of Pakistan as good debts for the reasons given in the notes. The ultimate outcome of the matters cannot presently be determined.

- Note 24.1.2 to the financial statements. The High Court of Sindh decided the pending appeals of the Income Tax Department for the assessment years 1996-97 and 1997-98 against the Company, resulting in a tax liability of Rs. 958 million on the Company. The Company filed a petition for leave to appeal with the Supreme Court of Pakistan against the aforementioned decision, which was granted by the Supreme Court of Pakistan through its order dated March 7, 2007. Through this order the Supreme Court of Pakistan also suspended the operation of the impugned judgment of the High Court of Sindh. The ultimate outcome of the matter cannot presently be determined, and no provision for the liability has been made in the financial statements.

A. F. FERGUSON & CO.
Chartered Accountants

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: September 10, 2008

Balance Sheet

as at June 30, 2008

	Note	2008	2007
		.... (Rupees in '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	7,460,549	8,012,317
Intangibles	4	105,502	126,212
Long term investments	5	2,701,097	2,990,591
Long term loans, advances and receivables	6	477,745	627,972
Long term deposits and prepayments	7	79,098	65,913
Deferred tax	8	407,337	401,037
		11,231,328	12,224,042
Current Assets			
Stores, spare parts and loose tools	9	115,814	127,891
Stock-in-trade	10	62,360,067	29,562,055
Trade debts	11	33,904,728	13,599,966
Loans and advances	12	396,220	365,974
Deposits and short term prepayments	13	401,433	1,583,913
Other receivables	14	15,681,790	15,751,198
Cash and bank balances	15	3,018,640	1,522,276
		115,878,692	62,513,273
Net Assets in Bangladesh	16	–	–
		127,110,020	74,737,315
EQUITY AND LIABILITIES			
Share Capital	17	1,715,190	1,715,190
Reserves	18	29,249,864	19,224,027
		30,965,054	20,939,217
Non-Current Liabilities			
Long term deposits	19	834,598	768,308
Retirement and other service benefits	20	1,574,148	1,644,063
		2,408,746	2,412,371
Current Liabilities			
Trade and other payables	21	81,067,565	41,431,075
Provisions	22	726,116	688,512
Accrued interest / mark-up		217,928	131,961
Short term borrowings	23	10,997,908	9,064,781
Taxes payable		726,703	69,398
		93,736,220	51,385,727
Contingencies and Commitments	24		
		127,110,020	74,737,315

The annexed notes 1 to 40 form an integral part of these financial statements.

Muhammad Abdul Aleem
Managing Director

Sardar M. Yasin Malik
Chairman

Profit and Loss Account

for the year ended June 30, 2008

	Note	2008	2007
		.... (Rupees in '000)	
Sales - net of trade discounts and allowances amounting to Rs. 84,231 thousand (2007: Rs. 932,387 thousand)		583,213,959	411,057,592
Less:			
- Sales tax		(74,249,472)	(52,418,310)
- Inland freight equalization margin		(13,685,954)	(8,932,956)
		(87,935,426)	(61,351,266)
Net sales		495,278,533	349,706,326
Cost of products sold	25	(465,254,907)	(337,446,896)
Gross profit		30,023,626	12,259,430
Other operating income	26	1,396,527	1,278,932
Operating costs			
Transportation costs	27	(337,886)	(369,328)
Distribution and marketing expenses	28	(3,264,599)	(2,745,289)
Administrative expenses	29	(1,160,741)	(1,002,712)
Depreciation	3.1	(1,119,137)	(1,098,157)
Amortisation	4	(47,689)	(41,908)
Other operating expenses	30	(3,352,969)	(755,420)
		(9,283,021)	(6,012,814)
Other income	31	313,860	424,238
Profit from operations		22,450,992	7,949,786
Finance costs	32	(1,367,898)	(1,158,112)
		21,083,094	6,791,674
Share of profit of associates		294,318	330,306
Profit before taxation		21,377,412	7,121,980
Taxation	33	(7,323,617)	(2,432,182)
Profit for the year		14,053,795	4,689,798
		.... (Rupees)	
Earnings per share - basic and diluted	34	81.94	27.34

The annexed notes 1 to 40 form an integral part of these financial statements.

Muhammad Abdul Aleem
Managing Director

Sardar M. Yasin Malik
Chairman

Cash Flow Statement

for the year ended June 30, 2008

	Note	2008	2007
		.... (Rupees in '000)	
CASH GENERATED FROM OPERATING ACTIVITIES			
Cash generated from operations	35	12,479,055	9,103,698
Long-term loans, advances and receivables		149,747	74,511
Long-term deposits and prepayments		(13,185)	8,749
Taxes paid		(6,672,612)	(4,050,775)
Finance costs paid		(1,281,931)	(1,146,882)
Payment against provisions		–	(10,126)
Retirement benefits paid		(610,949)	(287,721)
Net cash inflow from operating activities		4,050,125	3,691,454
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(593,314)	(1,596,166)
Purchase of intangibles		(26,979)	(13,301)
Proceeds from disposal of operating assets		57,189	30,740
Dividends received		390,178	870,774
Net cash outflow from investing activities		(172,926)	(707,953)
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from long-term deposits		66,290	24,314
(Repayment of)/Proceeds from short-term finances		(5,335,878)	3,210,474
Dividends paid		(4,380,252)	(4,800,295)
Net cash outflow from financing activities		(9,649,840)	(1,565,507)
Net (decrease)/increase in cash and cash equivalents		(5,772,641)	1,417,994
Cash and cash equivalents at beginning of the year		(1,418,031)	(2,836,025)
Cash and cash equivalents at end of the year	36	(7,190,672)	(1,418,031)

The annexed notes 1 to 40 form an integral part of these financial statements.

Mohammad Abdul Aleem
Managing Director

Sardar M. Yasin Malik
Chairman

Statement of Changes in Equity

for the year ended June 30, 2008

	Share Capital	Capital Reserve	General Reserve	Unrealised gain/(loss) on revaluation of long term investments available for sale	Company's share of unrealised gain/(loss) of investments of associates	Unappropriated Profit	Total
				(Rupees in '000)			
Balance as at June 30, 2006	1,715,190	3,373	13,139,968	947,452	4,574	5,002,502	20,813,059
Profit for the year	–	–	–	–	–	4,689,798	4,689,798
Final dividend for the year ended June 30, 2006 @ Rs. 18 per share	–	–	–	–	–	(3,087,340)	(3,087,340)
Transfer to general reserve	–	–	1,900,000	–	–	(1,900,000)	–
Unrealised gain due to change in fair values of long-term investments	–	–	–	235,980	–	–	235,980
Unrealised gain due to change in fair values of investments of associates	–	–	–	–	2,909	–	2,909
Dividends for the year ended June 30, 2007 - 1st interim dividend @ Rs. 6 per share	–	–	–	–	–	(1,029,113)	(1,029,113)
- 2nd interim dividend @ Rs. 4 per share	–	–	–	–	–	(686,076)	(686,076)
Balance as at June 30, 2007	1,715,190	3,373	15,039,968	1,183,432	7,483	2,989,771	20,939,217
Profit for the year	–	–	–	–	–	14,053,795	14,053,795
Final dividend for the year ended June 30, 2007 @ Rs. 11 per share	–	–	–	–	–	(1,886,709)	(1,886,709)
Transfer to general reserve	–	–	1,100,000	–	–	(1,100,000)	–
Unrealised loss due to change in fair values of long-term investments	–	–	–	(244,809)	–	–	(244,809)
Unrealised loss due to change in fair values of investments of associates	–	–	–	–	(9,731)	–	(9,731)
Dividends for the year ended June 30, 2008 - 1st interim dividend @ Rs. 5 per share	–	–	–	–	–	(857,596)	(857,596)
- 2nd interim dividend @ Rs. 6 per share	–	–	–	–	–	(1,029,113)	(1,029,113)
Balance as at June 30, 2008	1,715,190	3,373	16,139,968	938,623	(2,248)	12,170,148	30,965,054

The annexed notes 1 to 40 form an integral part of these financial statements.

Muhammad Abdul Aleem
Managing Director

Sardar M. Yasin Malik
Chairman

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pakistan State Oil Company Limited is a public company incorporated in Pakistan under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Karachi, Lahore and Islamabad stock exchanges. The address of its registered office is PSO House, Khayaban-e-Iqbal, Clifton, Karachi. The principal activities of the Company are procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils.

1.2 The business operations of the six subsidiaries were discontinued effective July 1, 2000. The shareholders of the Company in their Annual General Meeting held on October 31, 2002 resolved for voluntary winding up of Salsons Lubricants (Private) Limited, Mohsin Lubricants (Private) Limited, Auto Oils (Private) Limited, Gizri Lubricants (Private) Limited, Salim Petroleum (Private) Limited and Aremai Petroleum (Private) Limited, and the winding up proceedings of these subsidiaries were completed by the end of financial year 2006. The acknowledgements of filing for winding up of these subsidiaries have not been received from Securities and Exchange Commission of Pakistan (SECP). Therefore, during the year, the Company has also applied for striking off the name of these subsidiaries from the Register of Companies under the Easy Exit Scheme announced by the SECP vide circular No. 16 of 2007 dated December 5, 2007, against which no response has been received from SECP as yet. The consolidated financial statements have not been attached with these financial statements in view of the exemption granted by the SECP vide its letter No. EMD/233/409/2002/7514 dated September 9, 2008, from the requirements of section 237 of the Companies Ordinance, 1984. The exemption, however is subject to certain conditions including that the audited financial statements of subsidiaries will be open for inspection of shareholders of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These financial statements have been prepared on the basis of 'historical cost' convention, except for certain available for sale investments which have been recognised at fair value and recognition of certain staff retirement benefits at present value.

2.1.2 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 have been followed, except in the case of investments in associates for the reasons explained in note 2.5.

2.1.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

- Residual values and useful lives of property, plant and equipment (note 2.2)
- Useful lives of intangible assets (note 2.3)
- Provision for impairment of trade debts and other receivables (note 2.8)
- Provision for impairment of non-financial assets (note 2.10)
- Provision for retirement and other service benefits (note 2.12)
- Taxation (note 2.16)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1.4 Standards, amendments to published standards and interpretations effective in 2007-08 and relevant:

IAS 1 (Amendment) – 'Presentation of Financial Statements – Capital Disclosures', is mandatory for the Company's accounting periods beginning on or after January 1, 2007. It introduces capital disclosure requirements regarding how the entity manages its capital. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 37.2.1 to the financial statements.

2.1.5 Standards, amendments to published standards and interpretations effective in 2007-08 but not relevant:

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 are considered not to be relevant or to have any significant effect on the Company's operations.

2.1.6 Standards, amendments to published standards and interpretations that are not yet effective but relevant:

- IAS 1 'Presentation of Financial Statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in the Statement of Changes in Equity and with the non-owners in the Comprehensive Income Statement. The revised Standard will be effective from January 1, 2009. Adoption of the above standard will only impact the presentation of the financial statements.

- IFRIC 13 'Customer loyalty programmes' (effective from July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The management is currently reviewing the implications.

- IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management has assessed that the adoption would not have a material impact on the Company's financial statements.

– The SECP vide S.R.O. 411 (I)/2008 dated April 28, 2008 notified the adoption of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures'. IFRS 7 is mandatory for Company's accounting periods beginning on or after April 28, 2008 i.e. the date of notification. Adoption of IFRS 7 will only impact the format and extent of disclosures presented in the financial statements.

2.2 Property, plant and equipment

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress, which are stated at cost.

Cost in relation to certain fixed assets, including capital work-in-progress, signifies historical cost and financial charges on borrowings for financing the projects until such projects are completed or become operational.

Depreciation is charged to profit and loss account using straight-line method so as to write off the historical cost of the assets over their estimated useful lives at the rates given in note 3.1. 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. Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Major renewals and improvements for assets are capitalized and the assets so replaced, if any, are retired. Maintenance and normal repairs are charged to profit and loss account. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.3 Intangible assets - Computer softwares

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses thereon.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognised as a capital improvement and added to the original cost of the software.

Intangible asset is amortised from the month when such asset is available for use on straight-line basis over its useful economic life.

2.4 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. There were no financial assets held for trading at the balance sheet date.

(b) 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 twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade debts, loans, deposits and other receivables in the balance sheet.

(c) 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 investments within twelve months from the balance sheet date.

(d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Changes in the fair value of securities classified as available-for-sale are recognised in equity. Investments in associates are accounted for using the equity method as explained in note 2.5.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade receivables is described in note 2.8.

Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a
new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

2.5 Investment in associates

Associates are all entities over which the Company has significant influence but not control, generally represented by a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Company's share of its associates' post acquisition profits or losses is recognised in profit and loss account and its share in post acquisition movement of reserves is recognised in reserves. Cumulative post acquisition movements are adjusted against the carrying value of the investments. When the Company's share of losses in associate equals or exceeds its interest in the associate including any other long term unsecured receivable, the Company does not recognise future losses, unless it has incurred obligations or made payments on behalf of the associate.

Gain on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

Upto June 30, 2005, based on a legal opinion obtained by the Company, Asia Petroleum Limited and Pak Grease Manufacturing Company (Private) Limited were not considered as "Associated Companies" as defined in the Companies Ordinance, 1984 and accordingly the Company's investment in the unquoted shares of these companies was stated as "Available for sale" and measured at cost less impairment, if any. However, regardless of the legal opinion, the Company decided to change its policy to account for these investments under the equity method of accounting, in accordance with IAS – 28 "Investments in Associates," as the management considers such presentation to be more relevant and inline with the generally accepted accounting methods for such investments.

2.6 Stores, spare parts and loose tools

These are valued at lower of moving average cost and net realisable value, except items in transit, which are stated at cost. Cost comprises invoice value and other direct costs but excludes borrowing costs. Obsolete and used items are recorded at nil value.
Provision is made for slow moving items where necessary and is recognised in the profit and loss account.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make a sale.

2.7 Stock-in-trade

Stock in trade is valued at the lower of average cost or cost on first-in-first-out (FIFO) basis, and net realisable value. The cost formula is dependent on the nature of the stock categories but the same formula is applied to all items of a similar nature. Cost comprise invoice value, charges like excise, custom duties and other similar levies and other direct costs but excludes borrowing costs.

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon. Obsolete items are recorded at nil value. Provision is made for slow moving stocks where necessary and recognised in profit and loss account. Net realisable value is
the estimated selling price in the ordinary course of business less estimated costs necessary to make a sale.

2.8 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is charged to profit and loss account. Trade debts and receivables are written off when considered irrecoverable.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, with banks on current and deposit accounts and running finance under mark-up arrangements. Running finance under mark-up arrangements is shown in current liabilities.

2.10 Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the assets 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. Impairment losses are charged to profit and loss account.

2.11 Equity instruments

These are recorded at their face value.

2.12 Retirement and other service benefits

2.12.1 Pension funds

The Company operates approved funded defined benefit pension schemes separately for both management and non-management employees. The schemes provide pension based on the employees' last drawn salary. Pensions are payable for life and thereafter to surviving spouses and/or dependent children. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuations were carried out as of June 30, 2008 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs and as reduced by the fair value of the plan assets.

Cumulative net unrecognised actuarial gains and losses at the end of previous year which exceed 10% of the greater of the present value of the Company's pension obligations and the fair value of plan assets at that date are amortised over the expected average remaining working lives of the employees.

2.12.2 Gratuity fund

The Company also operates an approved funded defined benefit gratuity scheme for all its permanent employees. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of June 30, 2008 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of plan assets.

Cumulative net unrecognised actuarial gains and losses at the end of previous year which exceed 10% of the greater of the present value of the Company's gratuity obligations and the fair value of plan assets at that date are amortised over the expected average remaining working lives of the employees.

2.12.3 Medical

The Company also provides post retirement medical benefits to its permanent employees except for those management employees who joined the Company after July 1, 2001. Under the unfunded scheme all such employees and their spouses are entitled to the benefits.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of June 30, 2008 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gains and losses at the end of previous year which exceed 10% of the present value of the Company's obligations at that date are amortised over the expected average remaining working lives of the employees.

2.12.4 Provident fund

The Company also operates an approved funded contributory provident fund for its management and non-management employees. Equal monthly contributions are made both by the Company and the employee at the rate of 8.33% per annum of the basic salary. In addition, employees have the option to contribute at the rate of 16.66% per annum, however, the Company's contribution remains 8.33%.

2.12.5 Compensated absences

The Company provides a facility to its management and non-management employees for accumulating their annual earned leave. Under the scheme, management employees who joined the Company before December 31, 2003 and all non-management employees are entitled to 35 days and 30 days leave, respectively. Management employees who joined the Company on or after January 1, 2004 and complete 5 years of service are entitled to 35 days leave. Employees with less than 5 years of service are entitled to 21 days leave.

In case of management employees, unutilised leave can be accumulated upto a maximum of 2 years. In case of non-management employees leave can be accumulated upto 3 years. 50% of the leave is encashable during service subject to a maximum of 1 year, provided the employee proceeds for leave for the remaining balance period and has balance of more than 1 year's entitlement at that time. At the time of retirement entire accumulated leave balance is encashable both for management and non-management employees.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of June 30, 2008 using the "Projected Unit Credit Method". The amount recognised in the balance sheet represents the present value of defined benefit obligations.

2.13 Long term and short term borrowings

These are recorded at the proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest/mark-up to the extent of the amount remaining unpaid. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the instrument.

2.14 Trade and other payables

These are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

2.15 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.16 Taxation

2.16.1 Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years.

2.16.2 Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences including on investments in associates and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit and loss account.

(Amounts in Rupees '000)

2.17 Foreign currency transactions and translation

The financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

Transactions in foreign currencies are accounted for in Pakistan Rupees at daily average rates. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses from the settlement of foreign currency transactions and translation of monetary assets and liabilities at the balance sheet date rates are included in profit and loss account.

2.18 Offsetting of financial assets and liabilities

A financial asset and a financial liability 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 intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.19 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on the following basis:

- Sales are recorded when the significant risks and rewards of ownership of the goods have passed to the customers which coincide with the dispatch of goods to customers.
- Dividend income on equity investment is recognised when the Company's right to receive the payment has been established.
- Handling, storage and other services income and return on deposits is recognised on accrual basis.

2.20 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3. PROPERTY, PLANT AND EQUIPMENT

	2008	2007
Operating assets - note 3.1	6,641,909	6,612,796
Capital work in progress - note 3.3	818,640	1,399,521
	7,460,549	8,012,317

3.1 Operating assets

	Land		Building		Leasehold improvements	Tanks and pipelines	Service and filling Stations	Plant and machinery	Furniture and fittings	Vehicles and other rolling stock	Office equipment	Railway sidings	Gas cylinders/ regulators	Total
	Freehold	Leasehold	On freehold land	On leasehold land										
	(Amounts in Rupees '000)													
As at July 1, 2006														
Cost	133,521	92,235	571,567	719,911	1,071	3,017,312	5,926,431	1,825,583	232,389	599,136	379,340	53,031	116,693	13,668,220
Accumulated depreciation	–	(15,574)	(306,597)	(249,669)	(1,071)	(2,320,650)	(2,117,338)	(1,086,799)	(169,266)	(507,831)	(232,809)	(37,993)	(110,459)	(7,156,056)
Net book value	133,521	76,661	264,970	470,242	–	696,662	3,809,093	738,784	63,123	91,305	146,531	15,038	6,234	6,512,164
Year ended June 30, 2007														
Opening net book value	133,521	76,661	264,970	470,242	–	696,662	3,809,093	738,784	63,123	91,305	146,531	15,038	6,234	6,512,164
Additions	–	–	–	124,288	–	48,683	727,257	218,988	4,447	30,432	49,342	–	–	1,203,437
Disposals														
Cost	(1,769)	(68)	–	(269)	–	(978)	(6,980)	(1,093)	(880)	(7,868)	(6,449)	–	(779)	(27,133)
Depreciation	–	68	–	269	–	978	4,632	1,093	880	7,348	6,438	–	779	22,485
	(1,769)	–	–	–	–	–	(2,348)	–	–	(520)	(11)	–	–	(4,648)
Depreciation charge	–	(1,917)	(28,271)	(37,242)	–	(184,012)	(593,796)	(137,918)	(14,919)	(35,636)	(59,780)	(3,995)	(671)	(1,098,157)
Closing net book value	131,752	74,744	236,699	557,288	–	561,333	3,940,206	819,854	52,651	85,581	136,082	11,043	5,563	6,612,796
As at July 1, 2007														
Cost	131,752	92,167	571,567	843,930	1,071	3,065,017	6,646,708	2,043,478	235,956	621,700	422,233	53,031	115,914	14,844,524
Accumulated depreciation	–	(17,423)	(334,868)	(286,642)	(1,071)	(2,503,684)	(2,706,502)	(1,223,624)	(183,305)	(536,119)	(286,151)	(41,988)	(110,351)	(8,231,728)
Net book value	131,752	74,744	236,699	557,288	–	561,333	3,940,206	819,854	52,651	85,581	136,082	11,043	5,563	6,612,796
Year ended June 30 2008														
Opening net book value	131,752	74,744	236,699	557,288	–	561,333	3,940,206	819,854	52,651	85,581	136,082	11,043	5,563	6,612,796
Additions (note 3.1.2)	84,193		–	110,793	–	85,782	311,139	476,032	18,763	38,863	40,083	201	8,346	1,174,195
Disposals														
Cost	(6,063)	–	–	–	–	(3,569)	(37,353)	(799)	(746)	(12,438)	(1,836)	–	(1)	(62,805)
Depreciation	–	–	–	–	–	3,443	18,827	799	740	11,244	1,806	–	1	36,860
	(6,063)	–	–	–	–	(126)	(18,526)	–	(6)	(1,194)	(30)	–	–	(25,945)
Depreciation charge	–	(1,917)	(28,079)	(43,164)	–	(132,004)	(636,287)	(167,650)	(15,129)	(38,404)	(51,232)	(4,002)	(1,269)	(1,119,137)
Closing net book value	209,882	72,827	208,620	624,917	–	514,985	3,596,532	1,128,236	56,279	84,846	124,903	7,242	12,640	6,641,909
As at June 30, 2008														
Cost	209,882	92,167	571,567	954,723	1,071	3,147,230	6,920,494	2,518,711	253,973	648,125	460,480	53,232	124,259	15,955,914
Accumulated depreciation	–	(19,340)	(362,947)	(329,806)	(1,071)	(2,632,245)	(3,323,962)	(1,390,475)	(197,694)	(563,279)	(335,577)	(45,990)	(111,619)	(9,314,005)
Net book value	209,882	72,827	208,620	624,917	–	514,985	3,596,532	1,128,236	56,279	84,846	124,903	7,242	12,640	6,641,909
Annual rate of depreciation (%)	-	1-5	5-10	5-10	20	10-15	10-33	10-25	10-15	15-20	10-33	10	10	

(Amounts in Rupees '000)

3.1.1 Service and filling stations include cost of Rs. 6,383,149 (2007: Rs. 6,123,939) incurred by the Company on underground storage tanks, dispensing units and other equipment, and construction and related work. It also includes cost incurred on modernisation and development under the "New Vision Scheme" on approximately 1,592 (2007: 1,571) out of the total 3,568 (2007: 3,366) retail filling stations of dealers. In view of large number of dealers, the management considers it impracticable to disclose particulars of assets not in the possession of the Company as required under Para 5 of Part I of the Fourth Schedule to the Companies Ordinance, 1984.

3.1.2 The title of the freehold land, acquired during the year for Faisalabad depot, is in the process of being transferred in the name of the Company.

3.2 The details of operating assets disposed off during the year are as follows:

	Cost	**Accumulated depreciation**	**Net book value**	**Sale Proceeds**	**Mode of disposal**	**Particulars of purchasers**
Free-hold land	6,063	–	6,063	13,568	Tender	Mr. Abdul Qadir Flat No. 101, Noorani Arcade, Block 5, Clifton, Karachi
Tanks & Pipe lines	174	94	80	172	Tender	M/S Mass Engg Enterprises Suit No. 103, First Floor, Gulshan Trade Centre Block 5, Gulshan Chowrangi Karachi
Vehicles	843	168	675	850	Insurance claim	National Insurance Company Ltd. Building Abbasi Shaheed Road, Karachi
"	843	323	520	520	Company policy	Mr. Jalees Ahmed Siddique, Ex-Employee
Service and filling stations	21,532	8,088	13,444	13,444	Insurance claim	National Insurance Company Ltd. Building, Abbasi Shaheed Road, Karachi
"	6,142	2,818	3,324	4,826	Insurance claim	National Insurance Company Ltd. Building, Abbasi Shaheed Road, Karachi
"	655	573	82	655	Company policy	M/S Razi Plot No. 13, Block 16, Gulshan-e-Iqbal, Karachi
"	372	265	107	135	Tender	M/S Rehman Brothers, Km 14/15, D.I. Khan
"	372	265	107	135	Tender	M/S Nawabshah, Sangarh Road, Nawabshah
"	127	51	76	135	Tender	M/S Iqbal & Co, Mirpur Mathilo
"	249	116	133	135	Tender	M/S Hidayatullah, R/o Canal Road,Rambagh, Mardan
Items having book value of less than Rs. 50,000 each	25,433	24,099	1,334	22,614		
	62,805	36,860	25,945	57,189		
2007	27,133	22,485	4,648	30,740		

		2008	2007
3.3	**Capital work in progress**		
	Service and filling stations	232,112	484,659
	Tanks and pipelines	140,062	162,984
	Plant and machinery	63,440	405,767
	Furniture, fittings and equipment	1,050	11,275
	Advances to suppliers and contractors for tanks, pipelines and storage development projects	17,348	21,015
	Capital stores	364,628	313,821
		818,640	1,399,521

		2008	2007
4.	**INTANGIBLES - computer softwares**		
	Net carrying value		
	Balance at beginning of the year	126,212	154,819
	Additions at cost	26,979	13,301
	Amortisation charge for the year - note 4.2	(47,689)	(41,908)
	Balance at end of the year	105,502	126,212
	Gross carrying value		
	Cost	241,469	214,490
	Accumulated amortisation	(135,967)	(88,278)
	Net book value	105,502	126,212

4.1 Computer softwares include ERP System - SAP, anti-virus softwares and other office related softwares.

4.2 The cost is being amortised over a period of 3 to 5 years.

(Amounts in Rupees '000)

5. LONG-TERM INVESTMENTS

	2008	2007
Available-for-sale, in related parties		
In quoted company - at fair value		
– Pakistan Refinery Limited Equity held 18% (2007 : 18%)	953,721	1,198,530
In unquoted company - at cost		
– Pak-Arab Pipeline Company Limited Equity held 12% (2007 : 12%)	864,000	864,000
	1,817,721	2,062,530
Investments in associates - in unquoted companies - note 5.1		
– Asia Petroleum Limited Equity held 49% (2007 : 49%)	836,547	884,420
– Pak Grease Manufacturing Company (Private) Limited Equity held 22% (2007 : 22%)	46,829	43,641
	883,376	928,061
	2,701,097	2,990,591

5.1 Investment in associates

Number of shares 2008	Number of shares 2007	Face value per share (Rupees)	Name of the Company	2008	2007
46,058,600	46,058,600	10	Asia Petroleum Limited (APL)	836,547	884,420
686,192	686,192	10	Pak Grease Manufacturing Company (Private) Limited (PGMCL)	46,829	43,641
				883,376	928,061

	2008	2007
5.1.1 Movement of investments in associates		
Balance at beginning of the year	928,061	1,452,420
Share of profits		
- current year	294,267	354,500
- adjustment for last year profits based on audited financial statements	51	(24,194)
	294,318	330,306
Unrealised (loss) / gain on investments of associates	(9,731)	2,909
Dividends received	(329,272)	(857,574)
Balance at end of the year	883,376	928,061

5.1.2 The summarised financial information of the associates over which the Company exercises significant influence, based on the un-audited financial statements for the year ended June 30, 2008, is as follows:

	2008 (Un-audited)		**2007 (Audited)**	
	APL	**PGMCL**	**APL**	**PGMCL**
Total assets	2,487,813	246,862	2,600,625	216,655
Total liabilities	780,579	34,008	795,688	18,096
Revenues	1,089,228	161,944	1,219,416	165,622
Profit after tax	560,277	89,678	712,041	25,686

(Amounts in Rupees '000)

6. LONG-TERM LOANS, ADVANCES AND RECEIVABLES

	2008	2007
Loans - considered good		
Executives - notes 6.1, 6.2 & 6.4	31,877	31,071
Employees - note 6.2	139,857	144,331
	171,734	175,402
Less:Current portion shown under current assets - note 12	48,582	47,605
	123,152	127,797
Advances - considered good		
Employees - note 6.3	758	2,628
Less:Current portion shown under current assets - note 12	288	1,011
	470	1,617
Receivables		
Due from Karachi Electric Supply Corporation (KESC) - considered good - note 6.5	457,188	587,813
Less:Current portion shown under current assets - note 14	130,625	130,625
	326,563	457,188
Others		
- considered good	27,560	41,370
- considered doubtful	8,143	7,663
	35,703	49,033
Less:Provision for impairment - note 6.6	(8,143)	(7,663)
	27,560	41,370
	477,745	627,972

		2008	2007
6.1	**Reconciliation of carrying amount of loans to executives:**		
	Balance at beginning of the year	31,071	1,647
	Add:Disbursements	7,140	32,620
	Less: Repayments /amortisation	(6,334)	(3,196)
	Balance at end of the year	31,877	31,071

6.2 These represent interest free loans to executives and employees for purchase of motor cars, motor cycles, house building, marriage, umrah and others, in accordance with the Company's policy. Loans for purchase of motor cars and motor cycles are secured against the respective assets. House building loans and certain category of management loans are secured against outstanding balance of provident fund and gratuity, whereas all other loans are unsecured. These loans are recoverable in monthly installments over a period of two to six years.

6.3 These represent interest free advances against housing assistance given to employees once in service life for purchase and construction of residential property in accordance with the Company's policy. These advances are secured against respective asset and are recoverable in four to five years and are adjusted against the monthly house rent allowance of the respective employee.

6.4 The maximum aggregate amount outstanding at the end of any month during the year in respect of loans to executives was Rs. 41,955 (2007: Rs. 31,071).

6.5 On November 11, 2001 in a meeting of Economic Co-ordination Committee (ECC) chaired by the Finance Minister, Government of Pakistan (GoP), the Company was advised to treat the outstanding trade debt as a long term receivable, recoverable over a period of 10 years, including two years grace period. Accordingly, an agreement was signed between the Company and KESC under which the amount due is to be paid by KESC in quarterly installments over a period of 10 years, including a two years grace period, free of interest, which commenced on February 2004. In case of delayed payment, KESC is liable to pay a mark-up at State Bank of Pakistan's (SBP) discount rate plus 2% per annum on the installment due. In the event any two installments, whether consecutive or not remain over due, KESC is liable to pay an additional sum as liquidated damages.

		2008	2007
6.6	The movement in provision during the year is as follows:		
	Balance at beginning of the year	7,663	12,000
	Add:Provided during the year	480	–
	Less:Reversal during the year and recognised in Other income	–	4,337
	Balance at end of the year	8,143	7,663

(Amounts in Rupees '000)

	2008	2007
7. LONG-TERM DEPOSITS AND PREPAYMENTS		
- Considered good		
Long-term deposits	53,071	26,849
Prepaid rentals	58,309	69,558
Less: Current portion shown under current assets - note 13	32,282	30,494
	26,027	39,064
	79,098	65,913

8. DEFERRED TAX

	2008	2007
Debit balance arising in respect of:		
Provision for		
- retirement benefits	321,443	410,839
- doubtful trade debts	669,017	636,266
- doubtful receivables	278,023	282,129
- impairment of stores and spare parts	7,700	5,082
- excise, taxes and other duties	68,905	67,445
- impairment of stocks-in-trade	7,510	7,789
Others	2,847	2,782
	1,355,445	1,412,332
Credit balance arising in respect of accelerated tax depreciation, amortisation and investments in associates	(948,108)	(1,011,295)
	407,337	401,037

	2008	2007

9. STORES, SPARE PARTS AND LOOSE TOOLS

	2008	2007
Stores	129,545	133,378
Spare parts and loose tools	8,269	8,513
	137,814	141,891
Less: Provision for impairment - note 9.1	(22,000)	(14,000)
	115,814	127,891

9.1 The movement in provision during the year is as follows:

	2008	2007
Balance at beginning of the year	14,000	7,000
Add: Charged during the year and recognised in Other operating expenses - note 30	8,000	7,000
	22,000	14,000

10. STOCK-IN-TRADE

	2008	2007
Petroleum and other products (gross) - note 10.1 and 10.2	37,449,353	17,051,313
Less: Stock held on behalf of third parties - note 10.3	(1,136,489)	(611,009)
	36,312,864	16,440,304
Less: Provision for slow moving products - lubricants	(21,456)	(21,456)
	36,291,408	16,418,848
In pipeline system of Pak-Arab Pipeline Company Limited and Pak-Arab Refinery Limited	24,985,922	12,124,591
	61,277,330	28,543,439
Add: Charges incurred thereon	1,082,737	1,018,616
	62,360,067	29,562,055

(Amounts in Rupees '000)

10.1 These include stocks-in-transit amounting to Rs. 13,196,605 (2007: Rs. 2,830,388) and stocks held by:

	2008	2007
Pakistan Refinery Limited - related party	240,143	476,261
Shell Pakistan Limited	289,036	76,183
Bosicor Pakistan Limited	114,942	16,841
	644,121	569,285

10.2 Includes stock valued at net realisable value amounting to Rs. 240 thousand (2007: Nil).

10.3 Represents stocks held in trust on behalf of third parties, net of storage, handling and other charges amounting to Rs. 23,730 (2007:Rs. 23,730) recoverable thereagainst.

11. TRADE DEBTS

	2008	2007
Considered good		
- Due from Government agencies and autonomous bodies		
- Secured	13,744,074	4,394,528
- Unsecured	3,522,672	1,986,398
	17,266,746	6,380,926
- Due from other customers		
- Secured	7,501,646	2,933,924
- Unsecured	9,136,336	4,285,116
	16,637,982	7,219,040
	33,904,728	13,599,966
Considered doubtful	1,911,478	1,752,798
	35,816,206	15,352,764
Less: Provision for impairment - note 11.1	(1,911,478)	(1,752,798)
	33,904,728	13,599,966

11.1 The movement in provision during the year is as follows:

	2008	2007
Balance at beginning of the year	1,752,798	1,602,050
Add: Charged during the year and recognised in Other operating expenses - note 30	158,680	150,748
Balance at end of the year	1,911,478	1,752,798

12. LOANS AND ADVANCES - Unsecured, considered good

	2008	2007
Loans to executives and employees		
- Current portion of long-term loans including Rs. 9,089 (2007: Rs. 7,718) to executives - note 6	48,582	47,605
- Short-term loans	6,959	5,553
	55,541	53,158
Current portion of long-term advances to employees - note 6	288	1,011
Advances to suppliers - note 12.1	116,835	103,275
Advances for Company owned filling stations	223,556	208,530
	396,220	365,974

12.1 Includes Nil (2007: Rs. 2,515) to Pakistan Refinery Limited, a related party, against purchase of LPG.

13. DEPOSITS AND SHORT TERM PREPAYMENTS

	2008	2007
Deposits		
Duty and development surcharge	195,455	1,510,301
Trade	–	573
	195,455	1,510,874
Prepayments		
Rentals and others	173,696	42,545
Current portion of long-term prepaid rentals - note 7	32,282	30,494
	205,978	73,039
	401,433	1,583,913

(Amounts in Rupees '000)

14. OTHER RECEIVABLES - Unsecured, considered good

	2008	2007
Due from Government of Pakistan (GoP) on account of:		
- Price differential claims		
- on imports (net of related liabilities) - note 14.1	1,465,406	1,465,406
- others - note 14.2	8,425,326	8,955,568
- Water and Power Development Authority (WAPDA) receivables - note 14.3	3,407,357	3,407,357
- Freight equalization (net of recoveries)	46,521	46,521
	13,344,610	13,874,852
Excise, Petroleum Development Levy (PDL) and custom duty	200,784	268,176
Sales tax refundable	2,022,376	1,755,168
	15,567,770	15,898,196
Less: Provision for impairment		
- price differential claims on imports - note 14.1	(501,730)	(501,730)
- others	(83,112)	(83,112)
	(584,842)	(584,842)
	14,982,928	15,313,354
Current portion of long-term receivable from KESC - note 6	130,625	130,625
Handling and hospitality charges	124,800	81,151
Product claims - insurance and others - considered doubtful	101,987	101,987
Less: Provision for impairment	(101,987)	(101,987)
	–	–
Railway claims - considered doubtful	14,225	6,791
Less: Provision for impairment	(14,225)	(6,791)
	–	–
Receivable from other oil marketing companies	–	8,482
Others		
- considered good - note 14.4	443,437	217,586
- considered doubtful	93,296	83,596
	536,733	301,182
Less: Provision for impairment	(93,296)	(83,596)
	443,437	217,586
	15,681,790	15,751,198

14.1 In 2002 under an arrangement with the Ministry of Petroleum and Natural Resources (MoP & NR), Government of Pakistan (GoP), the Company carried out an independent verification and reconciliation of price differential claims due from the GoP and outstanding since 1991. Based on the exercise, the Company recognised the resulting net difference in its financial statements. Through its letter No. 3(386)/2002 dated August 7, 2002 the GoP confirmed that the report on independent verification will provide reasonable level of comfort to the authenticity and accuracy of outstanding import price differential claims and accordingly, against balance claimed, commenced repayment through a pricing mechanism for which a notification was issued. Such repayments amounted to Rs. 2,805,000 upto December 31, 2003. Since then no further amounts have been received and the notification for the pricing mechanism also expired on December 31, 2004.

However, through its letter No. F.1(21)-CF.III/2005-386 dated March 3, 2007 the GoP-Finance Division intimated that it has been decided that these Price Differential Claims will be paid after confirmation of the reconciled claim by the MoP & NR and requested MoP & NR to confirm the agreed amount payable at the earliest. The Company is actively pursuing the matter with the MoP & NR and Ministry of Finance (MoF), for the recovery of the balance amount of Rs. 1,465,406 and considers that the balance will be recovered in due course. Pending recovery, confirmation of the MoP & NR and agreement of the amount due from GoP, the Company, as a matter of prudence carries a provision of Rs. 501,730 (2007: Rs. 501,730) against the balance due as at June 30, 2008.

14.2 Price Differential Claims (PDC) aggregating to Rs. 8,425,326 (2007: Rs. 8,955,568)

These claims, as summarized below, have arisen on the instructions of MoP & NR and GoP for keeping the consumer prices of certain POL products stable.

	2008	2007
Balance at the beginning of the year	8,955,568	7,784,300
Add: Claims pertaining to the current year	105,482,206	14,728,268
	114,437,774	22,512,568
Less: Recovered - directly through GoP	64,012,448	13,557,000
Less: Recovered - through syndicate finances - note 14.2.1	42,000,000	–
	106,012,448	13,557,000
Balance at the end of the year	8,425,326	8,955,568

14.2.1 GoP for the purposes of reimbursing the outstanding price differential claims, directed the Company to obtain term finances aggregating to Rs. 42 billion at the risk and liability of the GoP. Accordingly, the Company during the year entered into three Term Finance Agreements (the Agreements) for the aforementioned amount with various consortium of banks (the Syndicates). These finances were due at the end of three year term of respective agreements i.e. 2010 and 2011 in one bullet form, whereas mark-up were due semiannually/quarterly, repriced at every quarter and benchmarked to 3 months Karachi Interbank Offered Rate (KIBOR). GoP was fully responsible and liable as a Principal Obligor to repay the finance, mark-up and all other obligations arising under the Agreements to the Syndicates, through the Company, under separate irrevocable and unconditional guarantees thereagainst given in favour of the Syndicates. On June 30, 2008, GoP prepaid the entire aforementioned amount of the term finances upon which the Syndicates have subsequently released the above referred guarantees. The mark-up and other charges have also been fully paid by GoP except for Rs. 568,441 pertaining to May/June 2008 which is in the process of being paid by GoP. In view of substance of the Agreements, the repayment of principal, mark-up and other charges by GoP have not been recognised in the financial statements.

14.3 Price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) of Rs. 3,407,357 (2007: Rs. 3,407,357)

In 1996, through a decision taken at a meeting of the Privatisation Commission, and Finance Division, (GoP) the Company was advised to supply LSFO to Kot Addu Power Project at the HSFO price and WAPDA was advised to absorb the price differential between the two products. In accordance with the decision of ECC dated November 4, 2003, the Company was allowed to recover this amount through a pricing mechanism after recovery of the amount outstanding against its claims for Import Price Differential aggregating to Rs. 1,465,406 the notification for which expired on December 31, 2004. Although no recovery has been made on this account, the Company continues to follow up the matter with MoP & NR. In 2005, the Company submitted an independent report on the verification of the above claim to MoP & NR, upon their request. In 2006, a joint reconciliation exercise was carried out with WAPDA as per the decision taken in a meeting held on May 19, 2006 under the Chairmanship of Additional Finance Secretary (GoP) and the final reconciliation statements were submitted to MoF and WAPDA. Subsequently on February 3, 2007 the Company and WAPDA agreed upon the final receivable balance of Rs. 3,407,357. Further, the GoP-Finance Division through its letter No. F.1(21)-CF.III/2005-385 dated March 3, 2007 intimated that the balance amount of Rs. 3,407,357 will be paid to the Company during financial year 2007-2008 and necessary provision in this respect will be made by GoP in the Budget of financial year 2007-2008. During the year, the Company through its letter No. AH-3010-LSFO/HSFO dated May 20, 2008 requested the GoP to arrange the payment of the agreed amount before the end of the budget year 2007-2008, however, GoP has not yet responded to Company's request. The Company, however, considers that the above amount will be recovered in full in due course of time.

14.4 Includes Rs. 5,931 (2007: Rs. 16,462) from Asia Petroleum Limited, a related party, on account of facilities charges.

15. CASH AND BANK BALANCES

	2008	2007
Cash in hand	6,556	6,425
Cash at bank on:		
- current accounts - note 15.1	2,962,254	1,454,183
- deposit accounts	49,830	61,668
	3,012,084	1,515,851
	3,018,640	1,522,276

15.1 Includes Rs. 791,913 (2007: Rs. 524,474) kept in a separate bank account in respect of security deposits from the customers

16. NET ASSETS IN BANGLADESH

	2008	2007
Property, plant and equipment - at cost	46,968	46,968
Less: Accumulated depreciation	(16,056)	(16,056)
	30,912	30,912
Capital work in progress	809	809
Debtors	869	869
Long-term loans relating to assets in Bangladesh	(4,001)	(4,001)
	28,589	28,589
Less: Provision for impairment	(28,589)	(28,589)
	–	–

The Company has no control over these assets and has maintained in its record the position as it was in 1971. Full provision for impairment has been made against these net assets.

(Amounts in Rupees '000)

17. SHARE CAPITAL

2008	2007		2008	2007
Authorised capital				
(Number of shares)				
200,000,000	200,000,000	Ordinary shares of Rs. 10/- each	2,000,000	2,000,000
Issued, subscribed and paid-up capital				
(Number of shares)				
3,000,000	3,000,000	Ordinary shares of Rs. 10/- each issued for cash	30,000	30,000
7,694,469	7,694,469	Ordinary shares of Rs. 10/- each issued against shares of the amalgamated companies	76,945	76,945
160,824,432	160,824,432	Ordinary shares of Rs. 10/- each issued as bonus shares	1,608,245	1,608,245
171,518,901	171,518,901		1,715,190	1,715,190

18. RESERVES

	2008	2007
Capital reserve - note 18.1	3,373	3,373
Unrealised gain on revaluation of long term investments available for sale	938,623	1,183,432
Company's share of unrealised (loss)/gain of investments of associates	(2,248)	7,483
Revenue reserve		
- General	16,139,968	15,039,968
- Unappropriated profit	12,170,148	2,989,771
	28,310,116	18,029,739
	29,249,864	19,224,027

18.1 This represents surplus arising on vesting of net assets of Esso Oil Marketing business in Pakistan under the Esso Undertakings (Vesting) Act, 1976.

19. LONG-TERM DEPOSITS

	2008	2007
Dealers	388,371	349,653
Equipment - note 19.1	165,747	160,785
Cartage contractors - note 19.2	280,480	257,870
	834,598	768,308

(Amounts in Rupees '000)

19.1 These represent interest-free deposits from customers against LPG equipment. The deposits are refundable on return of equipment.

19.2 These represent deposits from contractors against the cartage contracts for transportation of petroleum products. The deposits are refundable on the cancellation of these contracts. Interest is payable on the deposits at saving bank account rate of National Bank of Pakistan after deducting 2% service charge, effective July 1, 2002. The service charge for the current year has been waived by the management due to low interest rates.

20. RETIREMENT AND OTHER SERVICE BENEFITS

	2008	2007
Gratuity - note 20.1	672,838	753,948
Pension - note 20.1	127,214	202,640
Medical benefits - note 20.1	657,475	589,763
Compensated absences	116,621	97,712
	1,574,148	1,644,063

20.1 The details of employee retirement and other service benefit obligations are as follows:

	Gratuity fund		Pension funds		Medical benefits	
	2008	2007	**2008**	2007	**2008**	2007
20.1.1 Reconciliation of obligations as at year end						
Present value of defined benefit obligations	1,327,265	1,248,411	2,823,151	2,584,891	782,049	717,073
Fair value of plan assets	(323,600)	(103,125)	(2,317,725)	(1,910,908)	–	–
	1,003,665	1,145,286	505,426	673,983	782,049	717,073
Unrecognised actuarial loss	(330,827)	(391,338)	(334,517)	(421,563)	(124,574)	(127,310)
Unrecognised past service cost	–	–	(43,695)	(49,780)	–	–
Net liability at end of the year	672,838	753,948	127,214	202,640	657,475	589,763
20.1.2 Movement in liability						
Net liability at beginning of the year	753,948	724,322	202,640	172,663	589,763	552,333
Charge for the year	218,890	175,870	181,575	125,830	97,081	64,925
Contributions	(300,000)	(100,000)	(257,001)	(95,853)	–	–
Benefits paid during the year	–	(46,244)	–	–	(29,369)	(27,495)
Net liability at end of the year	672,838	753,948	127,214	202,640	657,475	589,763
20.1.3 Movement in defined benefit obligations						
Present value of defined benefit obligations at beginning of the year	1,248,411	1,023,697	2,584,891	2,248,346	717,073	540,277
Service cost	84,997	69,750	96,050	80,102	21,506	16,365
Interest cost	124,537	92,554	258,495	202,065	71,603	48,560
Benefits paid during the year	(88,529)	(46,244)	(106,712)	(91,506)	(29,369)	(27,495)
Acturial (gain) / loss	(42,151)	108,654	(9,573)	145,884	1,236	139,366
Present value of defined benefit obligation at end of the year	1,327,265	1,248,411	2,823,151	2,584,891	782,049	717,073
20.1.4 Movement in fair value of plan assets						
Fair value of plan assets at beginning of the year	103,125	–	1,910,908	1,688,375	–	–
Expected return on plan assets	8,410	–	201,249	177,347	–	–
Contributions made by the Company	300,000	100,000	257,001	95,853	–	–
Benefits paid during the year	(88,529)	–	(106,712)	(91,506)	–	–
Acturial gain	594	3,125	55,279	40,839	–	–
Fair value of plan assets at end of the year	323,600	103,125	2,317,725	1,910,908	–	–

(Amounts in Rupees '000)

20.1.5 The principal assumptions used in the actuarial valuations carried out as of June 30, 2008 using the 'Projected Unit Credit' method are as follows:

	Gratuity fund		Pension funds		Medical benefits		Compensated absences	
	2008	2007	2008	2007	2008	2007	2008	2007
Discount rate	12%	10%	12%	10%	12%	10%	12%	10%
Expected per annum rate of return on plan assets	12.5%	–	12.5%	10.5%	–	–	–	–
Expected per annum rate of increase in future salaries	12%	10%	12%	10%	–	–	12%	10%
Future per annum rate of increase in medical costs	–	–	–	–	9%	7%	–	–
Indexation of pension	–	–	6%	4%	–	–	–	–
Expected mortality rate	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table
Expected withdrawal rate	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent
20.1.6 Actual return on plan assets	9,004	3,125	256,528	218,186	–	–	–	–

20.1.7 Plan assets comprise the following:

	2008		2007	
	Amount	%age	Amount	%age
Equity	79,309	3%	74,749	4%
Debts	1,527,182	58%	1,447,209	72%
Others	1,034,834	39%	492,075	24%
	2,641,325		2,014,033	

20.1.8 Plan assets include the Company's ordinary shares with a fair value of Rs. 79,309 (2007: Rs. 74,749).

20.1.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected return on equity investments reflect long-term real rates of return experienced in the market.

20.1.10 Expected contributions to post employment benefit plans for the year ending June 30, 2009 are Rs. 405,840.

20.1.11 Comparison for five years:

	2008	2007	2006	2005	2004
Present value of defined benefit obligation	(4,932,465)	(4,550,375)	(3,812,320)	(3,126,857)	(2,810,819)
Fair value of plan assets	2,641,325	2,014,033	1,688,375	1,119,979	985,303
Deficit	(2,291,140)	(2,536,342)	(2,123,945)	(2,006,878)	(1,825,516)
Experience adjustments:					
(Gain)/Loss on plan liabilities	(50,488)	232,294	289,839	151,143	178,863
Gain on plan assets	55,873	43,964	71,785	64,264	75,722

21. TRADE AND OTHER PAYABLES

		2008	2007
Creditors for :			
Purchase of oil			
- local - note 21.1	26,733,422		18,568,298
- foreign	42,608,773		13,813,775
		69,342,195	32,382,073
Others		324,999	569,425
		69,667,194	32,951,498
Accrued liabilities - note 21.2		2,547,374	1,681,470
Inland Freight Equalisation Margin Mechanism (IFEM)		233,176	111,792
Due to other oil marketing companies and refineries		1,569,888	1,136,435
Advances			
- from customers	2,277,375		2,357,126
- against equipment	20,201		24,037
		2,297,576	2,381,163
Taxes and other government dues			
- Excise, taxes and other duties	2,019,967		1,037,473
- Octroi	31,452		31,452
- Income tax deducted at source	71,132		52,836
		2,122,551	1,121,761
Workers' Profits Participation Fund - note 21.3		1,132,598	364,816
Workers' Welfare Fund		436,276	139,834
Short term deposits - interest free		362,195	286,296
Dividends		603,473	1,210,307
Others		95,264	45,703
		81,067,565	41,431,075

(Amounts in Rupees '000)

	2008	2007
21.1 Includes Rs. 2,106,487 (2007: Rs. 2,747,429) payable to Pakistan Refinery Limited, a related party.		
21.2 Includes following amounts due to related parties in respect of pipeline charges:		
Pak-Arab Pipeline Company Limited	180,018	229,290
Asia Petroleum Limited	68,681	90,236
	248,699	319,526
21.3 Workers' Profits Participation Fund		
Balance at beginning of the year	364,816	573,472
Add: Allocation for the year - note 30	1,132,598	364,816
	1,497,414	938,288
Less: Payments during the year	(364,816)	(573,472)
Balance at end of the year	1,132,598	364,816

	2008	2007

22. PROVISIONS

	2008	2007
Balance at beginning of the year	688,512	777,276
Add: Recognised during the year - note 30	37,604	–
	726,116	777,276
Less:		
- Payments thereagainst	–	(10,126)
- Reversals during the year - note 31	–	(78,638)
	–	(88,764)
Balance at end of the year	726,116	688,512

These represent provisions for certain legal claims against the Company raised by the regulatory authorities. The outcome of these legal claims will not give rise to any significant loss beyond those provided for.

23. SHORT-TERM BORROWINGS - secured

	2008	2007
Short-term finances - notes 23.1 and 23.2	788,596	6,124,474
Finances under mark-up arrangements - notes 23.1 and 23.3	10,209,312	2,940,307
	10,997,908	9,064,781

23.1 The total outstanding balance is against the facilities aggregating Rs. 22,910,000 (2007: Rs. 18,134,500) available from various banks. These facilities are payable on various dates by April 12, 2010 and are secured by way of floating charge on Company's all present and future assets, except land and building, and hypothecation of moveable assets, stocks and receivables.

23.2 The rate of mark up for these facilities is Re. 0.03 (2007: Re. 0.03 to Re. 0.25) per Rs. 1,000 per day.

23.3 The rate of mark up for these facilities ranges from Re. 0.34 to Re. 0.38 (2007: Re. 0.26 to Re. 0.29) per Rs. 1,000 per day, net of prompt payment rebates. These facilities are renewable subject to payment of repurchase price on specified dates.

(Amounts in Rupees '000)

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

The Company has contingent liabilities in respect of legal claims in the ordinary course of business.

24.1.1 Claims against the Company not acknowledged as debts amount to Rs. 1,596,700 (2007: Rs. 838,958), including claims by refineries for delayed payment charges.

24.1.2 In the assessment years 1996-97 and 1997-98, the taxation authorities applied presumptive tax on the Company to the value of petroleum products imported by the Company on behalf of the Government of Pakistan (GoP) by treating the Company as the importer of such products. The Income Tax Appellate Tribunal (ITAT) cancelled the order of the assessing officer, and as a consequence of the order of the ITAT, an amount of Rs. 958,152 became refundable to the Company, which was adjusted against the tax liability of the subsequent years. The department had filed an appeal with the Honorable High Court of Sindh (High Court) against the aforesaid decision of the ITAT, which has been adjudicated against the Company, during the last year. The Company filed a petition for leave to appeal with the Honorable Supreme Court of Pakistan (Supreme Court) against the aforementioned decision, which was granted by the Supreme Court through its order dated March 7, 2007 also suspending the operation of the impugned judgment of the High Court.

The management of the Company maintains that the Company was merely acting as a handling agent on behalf of GoP, who was in fact the importer of the products. Hence, the ultimate liability, if any, is recoverable from GoP, for which the management is in communication with the MoP & NR.

Based on the merits of the above case, the Company's management believes that the ultimate decision will be in its favour and therefore, no provision has been made in this respect in these financial statements.

24.1.3 In the year 2005, a demand was raised by the Collector of Customs, Sales Tax and Central Excise (Adjudication) in respect of sales tax, central excise duty and petroleum development levy aggregating Rs. 165,781 inclusive of additional sales tax and central excise duty on exports of POL products to Afghanistan during the period August 2002 to November 2003. The demand was raised on the grounds that the export consignments were not verified by the Pakistan Embassy / Consulate in Afghanistan as required under Export Policy and Procedures 2000. It is the Company's contention that this requirement was in suspension as in the aforesaid period the Pakistan Embassy / Consulate was not fully functional. This condition of suspension was removed only on July 22, 2004 through Export Policy Order 2004 when the Pakistan Embassy / Consulate became fully functional in Afghanistan. Besides the issue of verification, it is also the Company's contention that export of POL products to Afghanistan can be verified from the relevant documents and therefore, the demand is unwarranted.

The Company has filed an appeal against the above order before the Appellate Tribunal and also referred the matter for resolution in the Alternate Dispute Resolution Committee (ADRC) under section 47-A of the Sales Tax Act, 1990. Through its recommendation dated December 26, 2006, the ADRC has rejected the application filed by the Company. Subsequently, through its order dated June 16, 2007 the CBR accepted the recommendations of the ADRC. The Company will now contest the matter before the Appellate Tribunal. Based on the merits of the case, the Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in this respect in these financial statements.

24.1.4 The Company may be exposed to provincial cess in respect of certain imports. The same cess has been levied on other companies in the industry, who have challenged the levy at appellate forums. The existence of the possible obligation on the Company and the amount involved cannot be determined with sufficient reliability. However, the management of the Company is confident that it will not be liable to the levy.

24.1.5 The Company has been extended a loan facility through MoF and MoP & NR for import of POL products, on behalf of GoP. Repayment of principal amount, financing cost and foreign exchange risk are the responsibility of MoF - GoP. The loan facility, provided by the National Bank of Pakistan, Bahrain; amounts to US Dollars100,000 thousand, repayable over three year period expiring on October 14, 2008, at a mark-up rate of LIBOR plus 0.8% per annum. As at June 30, 2008, the outstanding loan including mark-up amounted to US Dollars 100,740 thousand.

24.2 Commitments

24.2.1 Commitments in respect of capital expenditure contracted for but not as yet incurred is as follows:

	2008	2007
- Property, plant and equipment	476,246	254,965
- Intangibles	7,043	13,332
	483,289	268,297

24.2.2 Letters of credit and bank guarantees outstanding amount to Rs. 17,650,873 (2007: Rs. 2,696,917).

(Amounts in Rupees '000)

25. COST OF PRODUCTS SOLD

	2008	2007
Opening stock		
Cost	28,564,895	26,889,554
Charges thereon	1,018,616	1,300,535
	29,583,511	28,190,089
Add: Purchases during the year		
Cost	494,132,216	327,786,735
Charges thereon	3,920,703	11,053,583
	498,052,919	338,840,318
Cost of products available for sale	527,636,430	367,030,407
Less: Closing stock		
Cost	(61,298,786)	(28,564,895)
Charges thereon	(1,082,737)	(1,018,616)
	(62,381,523)	(29,583,511)
	465,254,907	337,446,896

26. OTHER OPERATING INCOME

	2008	2007
Commission and handling services	281,898	290,963
Income from CNG operations	345,738	354,709
Income from retail outlets - net	26,532	14,130
Handling, storage and other recoveries	707,824	602,075
Income from non fuel retail business	34,535	17,055
	1,396,527	1,278,932

27. TRANSPORTATION COSTS

	2008	2007
Cost incurred during the year	8,219,929	6,860,622
Realised against IFEM	(13,685,954)	(8,932,956)
Less: Refinery share	5,998,784	3,042,484
	(7,687,170)	(5,890,472)
Receivable from other oil marketing companies / adjustments	(194,873)	(600,822)
	(7,882,043)	(6,491,294)
	337,886	369,328

28. DISTRIBUTION AND MARKETING EXPENSES

	2008	2007
Salaries, wages and benefits - note 29.1	1,672,477	1,332,317
Security and other services	48,234	41,190
Rent, rates and taxes	274,614	232,589
Repairs and maintenance	548,540	493,732
Insurance	73,907	65,321
Travelling and office transport	89,824	82,632
Printing and stationery	15,676	14,977
Communication	20,335	20,697
Utilities	104,029	96,733
Storage and technical services	71,395	51,462
Legal and professional	9,075	4,994
Sales promotion and advertisement	262,473	241,522
Cards related costs	70,425	63,995
Others	3,595	3,128
	3,264,599	2,745,289

(Amounts in Rupees '000)

29. ADMINISTRATIVE EXPENSES

	2008	2007
Salaries, wages and benefits - note 29.1	765,027	673,542
Security and other services	11,675	10,087
Rent, rates and taxes	6,097	6,590
Repairs and maintenance	68,055	65,790
Insurance	63,485	66,013
Travelling and office transport	27,093	27,866
Printing and stationery	9,778	11,967
Communication	30,722	31,945
Utilities	18,803	18,731
Storage and technical services	12,882	11,364
Legal and professional	7,773	11,109
Auditors' remuneration - note 29.4	11,889	10,475
Sales promotion and advertisement	22,679	20,775
Contribution towards expenses of Board of Management - Oil	4,550	3,100
Donations - note 29.5	98,162	30,741
Fee and subscription	2,071	2,617
	1,160,741	1,002,712

29.1 Salaries, wages and benefits include the following in respect of employee retirement and other service benefits:

	2008				2007
	Gratuity fund	Pension funds	Medical benefits	Total	
Current service cost	84,997	96,050	21,506	202,553	166,217
Interest cost	124,537	258,495	71,603	454,635	343,179
Expected return on plan assets	(8,410)	(201,249)	–	(209,659)	(177,347)
Recognition of actuarial loss	17,766	22,194	3,972	43,932	28,491
Recognition of past service cost	–	6,085	–	6,085	6,085
	218,890	181,575	97,081	497,546	366,625

In addition, salaries, wages and benefits also include Rs. 40,104 (2007: Rs. 36,658) and Rs. 43,488 (2007: Rs. 10,266) in respect of Company's contribution towards provident funds and staff compensated absences.

29.2 The effects of a 1% movement in the assumed medical cost trend rate are as follows:

	2008		2007	
	Increase	Decrease	Increase	Decrease
Effect on the aggregate of current service cost and interest cost	18,872	14,329	12,235	9,040
Effect on the defined benefit obligation for medical benefits	140,700	110,850	135,129	99,842

(Amounts in Rupees '000)

29.3 Remuneration of Managing Director and Executives

The aggregate amount for the year in respect of remuneration and benefits to the Managing Director and Executives are as follows:

	2008		2007	
	Managing Director	Executives	Managing Director	Executives
Managerial remuneration including performance bonus	10,783	259,832	5,997	217,961
Retirement benefits	92	12,804	261	10,605
Housing and utilities	2,301	87,115	1,751	71,863
Leave fare	1,450	20,101	357	16,350
	14,626	379,852	8,366	316,779
Number, including those who worked part of the year	2	184	1	169

In addition, the Managing Director and certain Executives are provided with free use of Company maintained cars. Further, the Managing Director and Executives are also entitled to avail medical facilities and other benefits as per the Company policy. The Company, based on actuarial valuations, has also charged amounts in respect of retirement benefits for above mentioned employees which are included in note 29.1.

29.4 Auditors' remuneration

	2008			2007		
	A. F. Ferguson & Co.	Ford Rhodes Sidat Hyder & Co.	Total	A. F. Ferguson & Co.	Ford Rhodes Sidat Hyder & Co.	Total
Fee for the:						
- audit of annual financial statements	2,200	2,200	4,400	2,000	2,000	4,000
- audit of half yearly financial statements	–	–	–	750	750	1,500
- review of half yearly financial statements	800	800	1,600	750	750	1,500
Tax services	1,483	–	1,483	701	250	951
Certification of claims, audit of retirement funds and other advisory services	2,772	652	3,424	1,309	452	1,761
Out of pocket expenses	504	478	982	427	336	763
	7,759	4,130	11,889	5,937	4,538	10,475

29.5 The Managing Director and his spouse do not have any interest in any donees to which donations were made.

(Amounts in Rupees '000)

30. OTHER OPERATING EXPENSES

	2008	2007
Workers' Profits Participation Fund - note 21.3	1,132,598	364,816
Workers' Welfare Fund	436,276	139,834
Exchange loss - net	1,558,947	6,498
Stores and spare parts written off	–	5,748
Claims and other receivable written off	1,467	10,737
Handling charges written off	–	15,787
Write-off against storage development projects	1,783	16,715
Provision against		
- doubtful trade debts - note 11.1	158,680	150,748
- stores and spares - note 9.1	8,000	7,000
- disputed demands for custom duty, excise and petroleum development levy - note 22	37,604	–
- petroleum development claims	–	9,486
- short term receivables - others	–	28,051
- other receivables	17,614	–
	3,352,969	755,420

	2008	2007

31. OTHER INCOME

	2008	2007
Profit on disposal of operating assets	31,244	26,092
Dividends - note 31.1	60,906	13,200
Interest and markup	16,214	6,759
Liabilities no more payable written back	113,129	184,793
Reversal of provisions - note 22	–	78,638
Penalties and other recoveries	84,231	100,094
Scrap sales	2,403	6,595
Others	5,733	8,067
	313,860	424,238

31.1 Represents dividends from following related parties:

	2008	2007
Pakistan Refinery Limited	17,982	–
Pak-Arab Pipeline Company Limited	42,924	13,200
	60,906	13,200

32. FINANCE COSTS

	2008	2007
Mark-up on short-term borrowings	745,502	891,590
Bank and other charges	622,396	266,522
	1,367,898	1,158,112

(Amounts in Rupees '000)

33. TAXATION

	2008	2007
Current		
- for the year	7,392,666	2,483,725
- for prior years	(62,749)	(58,802)
Deferred - for the year	(6,300)	7,259
	7,323,617	2,432,182

33.1 Relationship between tax expense and accounting profit

	2008	2007
Accounting profit before taxation	21,377,412	7,121,980
Tax at the applicable tax rate of 35% (2007: 35%)	7,482,094	2,492,693
Tax effect of:		
- Lower rate applicable to certain income including share of associates	(95,728)	(1,709)
- Adjustments relating to prior years	(62,749)	(58,802)
	7,323,617	2,432,182

34. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2008	2007
Profit for the year	14,053,795	4,689,798
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	171,518,901	171,518,901
	(Rupees)	
Earnings per share - basic and diluted	81.94	27.34

(Amounts in Rupees '000)

35. CASH GENERATED FROM OPERATIONS

	2008	2007
Profit before taxation	21,377,412	7,121,980
Adjustments for non-cash charges and other items:		
Depreciation	1,119,137	1,098,157
Amortisation	47,689	41,908
Provision against:		
- doubtful trade debts	158,680	150,748
- stores and spare parts	8,000	7,000
- disputed demands for customs duty and petroleum development levy	37,604	–
- petroleum development claims	–	9,486
- short term receivables - others	–	28,051
- duty claims receivable	17,614	–
Stores and spare parts written off	–	5,748
Claims and other receivable written off	1,467	10,737
Handling charges written off	–	15,787
Liabilities no more payable written back	(113,129)	(184,793)
Reversal of provisions	–	(78,638)
Retirement and other services benefits accrued	541,034	376,891
Profit on disposal of operating assets	(31,244)	(26,092)
Share of profit of associates	(294,318)	(330,306)
Dividend income	(60,906)	(13,200)
Finance costs	1,367,898	1,158,112
	2,799,526	2,269,596
Working capital changes - note 35.1	(11,697,883)	(287,878)
	12,479,055	9,103,698

	2008	2007
35.1 Working capital changes		
(Increase)/Decrease in current assets		
- Stores, spare parts and loose tools	4,077	(15,609)
- Stock-in-trade	(32,798,012)	(1,393,422)
- Trade debts	(20,463,442)	(2,034,846)
- Loans and advances	(30,246)	(90,245)
- Deposits and short term prepayments	1,182,480	(296,020)
- Other receivables	50,807	(1,252,222)
Increase/(Decrease) in current liabilities		
- Trade and other payables	40,356,453	4,794,486
	(11,697,883)	(287,878)

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following items included in the balance sheet:

	2008	2007
- Cash and bank balances - note 15	3,018,640	1,522,276
- Finances under mark-up arrangements - note 23	(10,209,312)	(2,940,307)
	(7,190,672)	(1,418,031)

(Amounts in Rupees '000)

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 Financial assets and liabilities

	2008							
	Interest / Mark-up bearing			Non Interest / Mark-up bearing				
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total	Effective interest rates (%)
Financial Assets								
Investments –	–	–	–	–	2,701,097	2,701,097	2,701,097	–
Loans and advances	–	–	–	265,923	77,278	343,201	343,201	–
Deposits	–	–	–	–	53,071	53,071	53,071	–
Trade debts	–	–	–	33,904,728	–	33,904,728	33,904,728	–
Other receivables	–	–	–	13,458,630	326,563	13,785,193	13,785,193	–
Cash and bank balances	49,830	–	49,830	2,968,810	–	2,968,810	3,018,640	2 - 7.5
	49,830	–	49,830	50,598,091	3,158,009	53,756,100	53,805,930	
Financial Liabilities								
Long term deposits	–	280,480	280,480	–	554,118	554,118	834,598	1.2 - 14.24
Trade and other payables	–	–	–	74,845,388	–	74,845,388	74,845,388	–
Accrued interest/mark-up	–	–	–	217,928	–	217,928	217,928	–
Short term borrowings	10,997,908	–	10,997,908	–	–	–	10,997,908	1.05 - 14
	10,997,908	280,480	11,278,388	75,063,316	554,118	75,617,434	86,895,822	

	2007							
	Interest / Mark-up bearing			Non Interest / Mark-up bearing				
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total	Effective interest rates (%)
Financial Assets								
Investments –	–	–	–	–	2,990,591	2,990,591	2,990,591	–
Loans and advances	–	–	–	250,375	90,349	340,724	340,724	–
Deposits	–	–	–	573	26,849	27,422	27,422	–
Trade debts	–	–	–	13,599,966	–	13,599,966	13,599,966	–
Other receivables	–	–	–	13,727,854	457,188	14,185,042	14,185,042	–
Cash and bank balances	61,668	–	61,668	1,460,608	–	1,460,608	1,522,276	1.00 - 7.00
	61,668	–	61,668	29,039,376	3,564,977	32,604,353	32,666,021	
Financial Liabilities								
Long term deposits	–	257,870	257,870	–	510,438	510,438	768,308	1.2 - 13
Trade and other payables	–	–	–	37,311,709	–	37,311,709	37,311,709	–
Accrued interest/mark-up	–	–	–	131,961	–	131,961	131,961	–
Short term borrowings	9,064,781	–	9,064,781	–	–	–	9,064,781	1.09 - 10.59
	9,064,781	257,870	9,322,651	37,443,670	510,438	37,954,108	47,276,759	

37.2 Financial risk management objectives and policies

37.2.1 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2008 and 2007 were as follows:

	2008	2007
Total borrowings	10,997,908	9,064,781
Less: Cash and bank balances	(3,018,640)	(1,522,276)
Net Debt	7,979,268	7,542,505
Total Equity	30,965,054	20,939,217
Total Capital	38,944,322	28,481,722
Gearing ratio	20.5%	26.5%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

37.2.2 Financial risk factors

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

Risk management is carried out by the Company's finance, and treasury department under policies approved by the Board of Management - Oil.

(a) Market risk

i) Foreign currency exchange risk

Foreign currency risk is the risk of loss through changes in foreign currency exchange rates. The risk is mainly related to payments outstanding for purchases of imported oil.

ii) Interest rate risk

Interest risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The Company is not materially exposed to interest rate changes.

iii) Price risk

The Company is not materially exposed to equity securities price risk as its majority of investments are in non-listed securities. However, the Company is exposed to commodity price risks, which are dependent on prices set by the regulator and international commodity price trends.

(b) Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its balances at bank. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit ratings. Out of the financial assets aggregating Rs. 53,830,930 the financial assets which are subject to credit risk amount to Rs. 50,812,290.

Significant concentration of credit risks on amounts due from Government agencies and autonomous bodies amounting to Rs. 30,564,835 is covered to a certain extent, by restricting current supplies on cash basis. Credit risk on private sector other than retail sales is covered to the maximum possible extent through legally binding contracts. Furthermore, the Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

As the Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. As there are no borrowings at fixed rates, the Company is not exposed to fair value interest rate risk.

37.3 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

(Amounts in Rupees '000)

38. TRANSACTIONS WITH RELATED PARTIES

38.1 Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of related party and relationship with the Company	Nature of transactions	2008	2007
Associates			
- Pak Grease Manufacturing Company (Private) Limited	Purchases	103,242	86,065
	Dividend received	6,862	5,489
- Asia Petroleum Limited	Income (facility charges)	125,873	187,178
	Rental income	4,721	4,757
	Dividend received	322,410	852,085
	Pipeline charges	1,210,895	1,290,768
Retirement benefit funds			
- Pension Funds	Contributions	257,001	95,853
- Gratuity Fund	Benefits paid on behalf of fund	88,529	46,244
	Contributions	300,000	100,000
- Provident Funds	Contributions	40,104	36,658
Other related parties			
- Pakistan Refinery Limited	Purchases	34,099,108	22,242,259
	Dividend received	17,982	–
- Pak Arab Pipeline Company Limited	Pipeline charges	3,263,981	2,706,166
	Dividend received	42,924	13,200
Profit oriented state - controlled entities - various	Purchases	105,853,882	70,462,246
	Sales	114,485,348	70,764,442
	Handling income	28,385	32,770
	Transportation charges	89,879	103,219
	Utility charges	70,192	60,407
	Rental charges	19,745	29,442
	Security deposits	32,662	–
	Insurance premium paid	555,900	385,540

38.2 There are no transactions with key management personnel other than under the terms of employment as disclosed in note 29.3 of the financial statements.

38.3 The related party status of outstanding receivables and payable as at June 30, 2008 are included in respective notes to the financial statements.

39. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Management in its meeting held on August 12, 2008 (i) approved the transfer of Rs. 10,000,000 from unappropriated profit to general reserve; and (ii) proposed a final dividend of Rs. 12.5 per share for the year ended June 30, 2008, amounting to Rs. 2,143,988 for approval of the members at the Annual General Meeting to be held on October 15, 2008. These financial statements do not reflect these appropriations and the proposed dividend payable.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 12, 2008 by the Board of Management - Oil of the Company.

Mohammad Abdul Aleem
Managing Director

Sardar M. Yasin Malik
Chairman

Attendance at Board Meetings

for the year ended June 30, 2008

Names of Members of Board of Management**	Total Number of Board Meetings*	Number of Meetings Attended
Sardar M. Yasin Malik	6	6
Shaukat Hayat Durrani	6	5
Mahmood Akhtar	6	6
Muhammad Abdul Aleem	3	3
Muhammed Yousaf Qamar Husssain Siddiqui	3	3
Haji Amin Pardessi	3	1
Istaqbal Mehdi	6	4
Iskander Mohammed Khan	3	3
Arshad Said	6	4
Pervaiz Kausar	3	3
Jalees Ahmed Siddiqi	3	3
Tariq Kirmani	3	3
Tariq Iqbal Khan	3	2
Kamran Mirza	3	2
Iftikhar Asghar	3	1

*Held during the period the concerned Director was on the Board

** PSO is governed by Marketing of Petroleum Products (Federal Control) Act, 1974, whereby the Federal Government has constituted a Board of Management whose members are nominated by the Government.

Pattern of Holdings of Shares held by the Shareholders

as at June 30, 2008

Number of Shareholders	Having Shares From	To	Shares Held	Percentage
4716	1	100	142021	.0828
2936	101	500	809779	.4721
1576	501	1000	1212826	.7071
2422	1001	5000	5432748	3.1674
498	5001	10000	3501491	2.0414
187	10001	15000	2366340	1.3796
115	15001	20000	2073031	1.2086
37	20001	25000	832070	.4851
43	25001	30000	1173397	.6841
24	30001	35000	788213	.4595
14	35001	40000	530930	.3095
6	40001	45000	257205	.1499
7	45001	50000	331665	.1933
11	50001	55000	583501	.3401
10	55001	60000	582879	.3398
5	60001	65000	318359	.1856
7	65001	70000	481425	.2806
4	70001	75000	294228	.1715
5	75001	80000	387600	.2259
5	80001	85000	417202	.2432
6	85001	90000	523997	.3055
5	90001	95000	464291	.2706
9	95001	100000	894906	.5217
5	100001	105000	516900	.3013
2	105001	110000	220000	.1282
1	110001	115000	115000	.0670
3	115001	120000	350600	.2044
1	120001	125000	125000	.0728
2	125001	130000	255300	.1488
1	130001	135000	131400	.0766

Number of Shareholders	Having Shares From	To	Shares Held	Percentage
1	135001	140000	140000	.0816
3	140001	145000	430600	.2510
1	145001	150000	147400	.0859
4	150001	155000	613400	.3576
2	155001	160000	317300	.1849
1	160001	165000	164596	.0959
1	165001	170000	167000	.0973
1	175001	180000	179000	.1043
2	180001	185000	365562	.2131
4	190001	195000	766280	.4467
2	195001	200000	397816	.2319
1	200001	205000	204500	.1192
1	205001	210000	205543	.1198
1	215001	220000	215400	.1255
3	220001	225000	666790	.3887
1	230001	235000	232000	.1352
1	240001	245000	245000	.1428
2	245001	250000	496115	.2892
1	250001	255000	254500	.1483
1	265001	270000	267000	.1556
1	280001	285000	284600	.1659
1	285001	290000	285800	.1666
1	290001	295000	292467	.1705
2	300001	305000	602910	.3515
1	305001	310000	307000	.1789
1	325001	330000	329000	.1918
1	345001	350000	346500	.2020
1	390001	395000	391000	.2279
1	410001	415000	414600	.2417
1	445001	450000	448236	.2613

Pattern of Holdings of Shares held by the Shareholders

as at June 30, 2008

Number of Shareholders	Having Shares From	Having Shares To	Shares Held	Percentage
1	460001	465000	465000	.2711
1	465001	470000	466600	.2720
2	500001	505000	1006399	.5867
1	515001	520000	519100	.3026
1	530001	535000	534900	.3118
1	565001	570000	567088	.3306
1	595001	600000	599500	.3495
1	650001	655000	653400	.3809
1	690001	695000	695000	.4052
1	795001	800000	800000	.4664
1	845001	850000	848691	.4948
1	905001	910000	908000	.5293
1	920001	925000	923579	.5384
1	990001	995000	992618	.5787
1	1005001	1010000	1007800	.5875
1	1060001	1065000	1061200	.6187
1	1095001	1100000	1095300	.6385
1	1365001	1370000	1365400	.7960
1	1450001	1455000	1450878	.8458
1	2105001	2110000	2105480	1.2275
1	3210001	3215000	3213479	1.8735
1	3735001	3740000	3738731	2.1797
1	7780001	7785000	7780142	4.5360
1	9995001	10000000	9997584	5.8288
1	10975001	10980000	10975800	6.3991
1	11680001	11685000	11684741	6.8125
1	26010001	26015000	26013948	15.1668
1	43755001	43760000	43756324	25.5110
Total 12737			171518901	100.0000

Pattern of Shareholdings

as at June 30, 2008

CATEGORIES OF SHAREHOLDERS	NO. OF SHARES HOLDERS	No. OF SHARES	%
INDIVIDUALS	12,217	18,854,832	10.99
INSURANCE COMPANIES	13	1,155,990	0.67
PUBLIC SECTOR COMPANIES	21	52,267,445	30.47
FINANCIAL INSTITUTION AND BANKS	63	2,641,940	1.54
MODARABA COMPANIES & MUTUAL FUNDS	76	13,204,721	7.70
FEDERAL GOVERNMENT	1	43,756,324	25.51
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	1	2	0.00
FOREIGN INVESTORS	121	24,097,774	14.05
OTHERS	224	15,539,873	9.06
TOTALS	**12,737**	**171,518,901**	**100.00**

Pattern of Shareholdings

as at June 30, 2008

ADDITIONAL INFORMATION	NO. OF SHARES HOLDERS	No. OF SHARES	%
Associated Companies, Undertakings and related Parties			
Government of Pakistan	1	43,756,324	25.51
NIT ICP			
National Investment Trust	2	93,494	0.05
NBP, TrusteeDepartment	2	26,937,527	15.71
Investment Corporation of Pakistan	1	848,691	0.49
CEO, Directors and their Spouses and Minor Children			
Mohammad Abdul Aleem	1	1	0.00
Public Sector Companies & Corporations Banks, DFIs NBFIs, Insurance Companies, Modarbas, Mutual Funds, Foreign Companies and other Orgnizations	290	65,488,158	38.18
Individuals	12,216	18,854,833	10.99
Others	224	15,539,873	9.06
TOTALS	**12,737**	**171,518,901**	**100.00**

Audited Balance Sheet of Subsidiary Companies

for the period as given below

	GIZRI LUBRICANTS (PVT) LTD	AREMAI PETROLEUM (PVT) LTD	SALIM PETROLEUM (PVT) LTD	AUTO OILS (PVT) LTD	MOHSIN LUBRICANTS (PVT) LTD	SALSONS LUBRICANTS (PVT) LTD
	31st March, 2004	31st March, 2004	30th June, 2004	31st December, 2005	30th June, 2005	30th June, 2004
CAPITAL & RESERVES						
Share Capital						
Authorized	5,000,000	5,000,000	6,000,000	5,000,000	4,000,000	5,000,000
Issued, Subscribed & Paid-up	2,359,500	4,999,780	1,600,000	3,475,000	500	3,829,500
Reserves						
General Reserves	6,525,000	6,800,000	-	6,800,000	-	4,625,000
Accumulated (Loss)/Profit	(4,668,610)	(2,408,557)	-	(4,728,519)	-	(7,727,798)
Cumulative pre-operating expenditure written off	-	-	(2,427,734)	-	(1,544,577)	-
	1,856,390	4,391,443	(2,427,734)	2,071,481	(1,544,577)	(3,102,798)
Current Liabilities						
Due to holding company	9,791,821	8,282,765	1,158,424	5,625,203	2,234,659	10,101,987
Due to associate undertaking	510,237	417,554	80,346	327,338	-	532,737
Creditors, accrued & other liabilities	1,223,294	180,520	88,964	216,583	140,030	1,737,227
	11,525,352	8,880,839	1,327,734	6,169,124	2,374,689	12,371,951
Contigencies & Commitments	-	-	-	-	-	-
	15,741,242	18,272,062	500,000	11,715,605	830,612	13,098,653
TANGIBLE FIXED ASSETS						
Operating Fixed Assets						
At cost less accumulated depreciation	684,816	1,015,922	-	-	-	2,224,807
Lease hold land	-	-	500,000	445,873	800,000	-
Long term deposits	-	-	-	1,400	-	-
Currents Assets						
Stores	-	-	-	-	-	50,264
Balance due from associated companies	178,844	1,005,620	-	434,773	-	103,664
Advances, deposits, prepayments and other receivables	14,845,091	16,225,759	-	10,818,846	-	10,646,332
Cash & bank balances	32,491	24,761	-	14,713	30,612	73,586
	15,056,426	17,256,140	-	11,268,332	30,612	10,873,846
	15,741,242	18,272,062	500,000	11,715,605	830,612	13,098,653

Note:
As more fully explained in note 1.2 to the accounts of Pakistan State Oil Company Limited (PSO) for the year ended June 30, 2008, the aforementioned subsidiary companies are under liquidation and therefore no consolidated accounts have been prepared after the necessary approval of the Securities and Exchange Commission of Pakistan. Nine companies involved, or intended to be involved in blending operations, were wholly acquired by PSO during the year ended June 30, 2001. Winding-up proceedings have been completed in respect of all the subsidiary companies. SECP's confirmation for dissolution of above companies is awaited.

Profit & Loss Account of Subsidiary Companies

for the period as given below

	GIZRI LUBRICANTS (PVT) LTD	AREMAI PETROLEUM (PVT) LTD	SALIM PETROLEUM (PVT) LTD	AUTO OILS (PVT) LTD	MOHSIN LUBRICANTS (PVT) LTD	SALSONS LUBRICANTS (PVT) LTD
	31st March, 2004	31st March, 2004	30th June, 2004	31st December, 2005	30th June, 2005	30th June, 2004
Less: Excise duty paid	-	-	-	-	-	-
Cost of Product sold	-	-	-	-	-	-
Gross (Profit)/Loss	-	-	-	-	-	-
Operating Expenses						
Administrative	621,045	350,355	-	110,677	-	661,485
Financial						
Gain on disposal of fixed assets						
	621,045	350,355	-	110,677	-	661,485
Operating (Profit) / Loss						
Other income						
(Profit) / Loss for the year	621,045	350,355	-	110,677	-	661,485
Surplus on revaluation of fixed assets disposed of						
Taxation						
Prior	-	-	-	-	-	-
Current	-	-	-	-	-	-
	-	-	-	-	-	-
Profit after taxation	(621,045)	(350,355)	-	(110,677)	-	(661,485)
Accumulated Loss brought forward	(4,047,565)	(2,058,202)	-	(4,617,842)	-	(7,066,313)
Accumulated profit/(loss) carried forward	(4,668,610)	(2,408,557)	-	(4,728,519)	-	(7,727,798)

Pakistan State Oil Company Limited

Thirty-second Annual General Meeting 2007-08

FORM OF PROXY

I/We ____________________

of ____________________

A member of PAKISTAN STATE OIL COMPANY LIMITED and holder of ____________________

Ordinary Shares as per Registered Folio No. /CDC Participant's ID and Account No. ____________________

Sub Account No. ____________________

hereby appoint ____________________

of ____________________

or failing him ____________________

of ____________________

who is also a member of PAKISTAN STATE OIL COMPANY LIMITED vide Registered Folio No. /CDC ____________________

Participant's ID and Account No. ____________________

As my/our proxy to vote for me/us and on my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held on Wednesday, October 15, 2008 and at any adjournment thereof.

Signed by me/us this ____________ day of ________ 2008.

Signed by the said ____________________

Important:
This form of Proxy duly completed must be deposited at the Company's Registered Office, PSO House, Khayaban-e-Iqbal, Clifton, Karachi not later than 48 hours before the time of holding the meeting.

A proxy should also be a Shareholder of the Company.

Five Rupees Revenue Stamps

for Office use ____________________