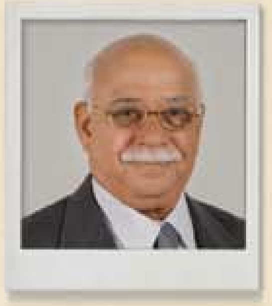
Corporate Governance

Board of Management



Dr. Sardar M. Yasin Malik
Chairman

Mr. Irfan K. Qureshi
Managing Director

Mr. Muhammad Ejaz Chaudhry
Member

Mr. Mahmood Akhtar
Member

Mr. Istaqbal Mehdi
Member

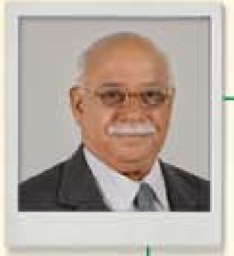
Haji Amin Pardesi
Member

Mr. Muhammed Yousaf Qamar Hussain Siddiqui
Member

Mr. Iskander Mohammed Khan
Member

Mr. Arshad Said
Member

Profiles of Board of Management

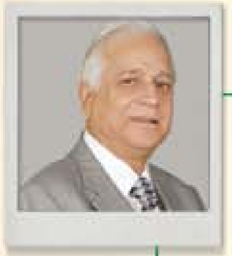


Dr. Sardar M. Yasin Malik
Chairman

Dr. Malik is well recognized nationally for four decades of his service in social work, business and education. He has been decorated with "Sitara-i-Imtiaz" and "Hilal-i-Imtiaz" by the Government of Pakistan.
In addition to being Chairman of PSO Board, he is Chairman of Hilton Pharma and of Progressive Associates (Pvt.) Limited. With a keen interest in education and health, he is also on the boards and advisory committees of a numerous other institutions.
Dr. Malik is actively involved in the promotion and strengthening of business links between Pakistan and a number of countries.
He was appointed a Member of PSO Board of Management on 24th June 2004 and was subsequently appointed Chairman of the Board on the 4th of February, 2008.

Mr. Irfan K. Qureshi
Managing Director

An experienced and versatile professional, Mr. Irfan K. Qureshi has a 30-year proven successful track record in sales, marketing, logistics, customer services, public and government relations, policy formulation and the development of systems and processes for increased productivity and better management of business models.
He is currently working as Managing Director, Pakistan State Oil (PSO). Before joining PSO, his last assignment was with Chevron Corporation as General Manager for Policy, Government & Public Affairs for Pakistan, Egypt and Mauritius. During his tenure at Chevron, he also served as a Member of the Board of Area Operating Committees of Pakistan and Egypt.
Starting his career with Chevron Corporation in 1977, Mr. Qureshi went on to work for Exxon Fertilizer in Pakistan followed by Cable and Wireless PLC. His last assignment prior to leaving Cable & Wireless was as the Director Marketing and External Affairs. He rejoined the Chevron Corporation in 2001.
Mr. Qureshi holds an MBA from IBA. During his academic days, he was actively involved in various social and cultural activities. He is an active member of various cultural forums and participates actively in charity efforts.



Mr. Istaqbal Mehdi
Director

Mr. Istaqbal Mehdi has served as the Managing Director of Pakistan Kuwait Investment Company (Private) Limited and Pak Kuwait Takaful Company Limited. Prior to this, he was the Chairman / CEO of Zarai Taraqiati Bank Limited (ZTBL), National Commodity Exchange Limited (NCEL), Pak Iran Joint Investment Company Limited (PIJICL), National Investment Trust (NIT), Investment Corporation of Pakistan (ICP) and the Expert Advisory Cell.
He has obtained postgraduate degrees from Leeds University, UK, and Harvard University, USA, and Government College Lahore, and has held senior positions in various renowned organizations. He has also worked as a consultant for a number of international agencies such as World Bank, ICPE Ljubljana and UNDP.
The author of the world-renowned management system known as "Signalling System for Public Enterprises", Mr. Mehdi has more than 20 publications and research papers to his credit in national and international journals.

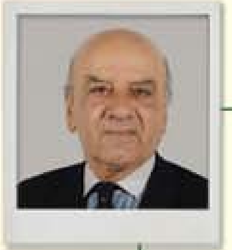
Mr. Mahmood Akhtar
Director

Mr. Mahmood Akhtar is the Joint Secretary (EF&P) and financial advisor on petroleum and natural resources to the Ministry of Finance. He has 28 years of experience in various administrative and managerial capacities in the Government.
He has completed an advance course in Macro Economics from Bradford University, UK, and holds a Masters degree in Business Administration from the University of Punjab.
Mr. Akhtar has previously served as the Managing Director, Long Term Credit Fund; Director, Pak Arab Refinery Company Limited; Director, Equity Participation Fund; and Director, Industrial Development Bank Limited.
He was appointed as Member BOM, PSO, on the 1st of March, 2006.

Profiles of Board of Management

Mr. Iskander Mohammed Khan
Director

Mr. Iskander Mohammed Khan has been involved in the business since 1990 and has carried out industrial and commercial projects of national importance.
He is currently the director of the Premier Group of Companies, having also served as Chairman of Pakistan Sugar Mills Association, Chairman of Pakistan Polypropylene Woven Sack Manufacturers Association, Director Oil & Gas Development Company Limited (OGDCL) and Chairman of Synthetic Textile (Bags & Cordages) TC-15 (PSQCA).
He has also served as the Director of the Zarai Taraqiati Bank Limited and Director of Islamabad Stock Exchange for the year 2005.
Mr. Khan has also played an active role as a member of the Managing Committee, Federation of Pakistan Chambers of Commerce and Industry in 2005-2006.
He was appointed as Member BOM, PSO, on the 4th of February, 2008.

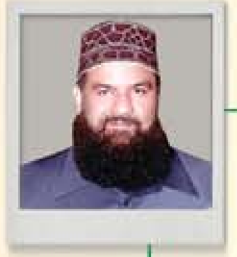


Mr. Arshad Said
Director

Mr. Arshad Said graduated from Islamia College Peshawar in 1955 and then obtained a M.A degree from Oxford Univeristy in Modern History and Political Science.
He joined Burma Shell (now Shell Pakistan Limited) in December 1958 and held management positions in different facets of the business including oil marketing, lubricants development, supply and distribution and chemicals. He represented Shell International on the Board of Pakistan Refinery Limited.
During his 39 years of service with Shell Pakistan, Mr. Said attended all the major training courses of Shell International in London and at The Hague. He participated in the Strategic Management Programme at Ashridge Management College England and retired as the Operations Manager SPL.

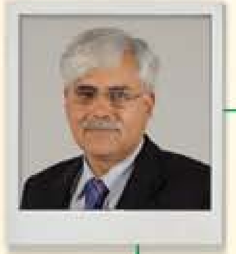
Mr. Muhammed Yousaf Qamar Hussain Siddiqui
Director

A seasoned professional, Mr. Siddiqui brings to the table years of experience in the trading and manufacturing fields. Holding a Bachelors degree in Commerce, he has previously held prominent positions in the Arabian Gulf Malaysian Express Service and has also been actively involved in the trade of various agricultural staples such as rice and sugar. A true aficionado of literary pursuits, he is an avid reader and follows current affairs very closely- a quality that enables him to be an asset to the board with his extensive knowledge and valued input.
He was appointed as Member BOM, PSO, on the 4th of February, 2008.



Haji Amin Pardesi
Director

Haji Amin Pardesi is the Vice Chairman of the Giga group. He has been involved in all aspects related to the development and expansion of the Group. He is the architect of the Group's entry into the construction and property development business. He has also played an active role in the establishment of joint venture relationships with prominent groups such as Al Ghurair Group, EMAAR properties PJSC, Bina Goodyear and IJM Group.
Mr. Pardesi is responsible for many laurels won by the companies under his management including the Export Performance Trophy by the Federation of Pakistan Chambers of Commerce and Industries (FPCCI) and the Pakistan Cloth Merchant Association (PCMA).
He is a life member of SAARC Chambers of Commerce and Industry and, besides overseeing the entire construction and real estate development activities of the Giga Group, is rendering services as the CEO of Al Ghurair Giga Pakistan (Pvt) limited, the Chairman of the Mazyood Giga International Construction Company and the Proprieter - Mian Akbar Trading Corporation.
He was appointed as Member BOM, PSO, on the 14th of February, 2008.



Mr. Muhammad Ejaz Chaudhry
Director

Mr. Muhammad Ejaz Chaudhry, the Additional Secretary of the Federal Ministry of Petroleum and Natural Resources is a career civil servant. Born on October 08, 1955, he acquired his studies in science. After doing his Masters in Psychology from Government College, Lahore, in 1978 (1st Class 1st), he joined the civil service of Pakistan in the District Management Group in the Year 1980 (8th CTP).
Mr. Chaudhry has a vast experience of Public Administration in the Province of Sind, Punjab and the Federal Government, having served as the Deputy Commissioner Thatta (1988-89), Karachi Central (1989-90) and Nawabsah (1990-93). He was transferred to Punjab in 1993 and served as Additional Secretary Home (1994-96), Director Labour (1996-98), Registrar Cooperative Punjab (1998-2002), DCO Multan (2003-05), Joint Secretary Ministry of Education (2005-2006), Director General National Institute of Public Administration, Lahore (2007-2008).
He is an alumni of George Washington and Harvard University, USA, Civil Service College Singapore, Government College (Punjab University) Lahore, Administrative Staff College, Lahore and National Defence University, Islamabad.
He was appointed as Member BOM, PSO, on the 22nd of October, 2008. He is also a Director on the Boards of Mari Gas Company Ltd., the Oil and Gas Development Company Ltd. and Inter State Gas Systems (Pvt.) Ltd.

SAHIWAL

Punjab, Pakistan - 73 ° 6′ 0″E, 30° 40′ 0″N

Sahiwal is a growing city in the Punjab province of Pakistan and the administrative centre of the Sahiwal District. Sahiwal's industries include cotton ginning, tanning, textile spinning, textile weaving, leather products, garments and pharmaceuticals.

Harrapa is a large village in Sahiwal, and archaeologists believe it to be the urban epicenter in the upper Indus region. Most of the site remains unexcavated, but the earliest deposits on the site go back to 5,300 B.C. Sahiwal is famous for its cattle rearing farms. The cattle is bred for export and also sold throughout the country.

An extensive network of 268 PSO retail outlets facilitates this growing city, contributing significantly to its people as well as its thriving industries.

Harrapa - A large village in Sahiwal dating back to 5,300 BC. Although most of the site remains unexcavated, archaeologists believe it to be the urban epicenter in the upper Indus region.

Retail Fuels - PSO's retail fuels include Premier XL petrol and Green XL diesel. These fuels are environment friendly and also keep the engine clean, resulting in improved performance of the vehicle.

Company Information

COMPANY SECRETARY
Amjad Parvez Janjua

AUDITORS
A.F. Ferguson & Co.
KPMG Taseer Hadi & 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
Faysal Bank Limited
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 Limited
United Bank Limited

REGISTERED OFFICE
Pakistan State Oil Co. Ltd.
PSO House
Khayaban-e-Iqbal, Clifton,
Karachi 75600, Pakistan
Tel: (92-21) 111-111-PSO (776)
Fax: (92-21) 9920-3721
Helpline: 0800-03000
Website: www.psopk.com

Board Audit Committee

Chairman
Mr. Iskander Mohammed Khan

Members
Mr. Arshad Said
Mr. Mahmood Akhtar

Secretary
Mr. Ather Ali

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee and PSO have adopted the terms of reference as described in the Code of Corporate Governance.

The Board Audit Committee shall, among other things, be responsible for recommending to the Board of Management the appointment of external auditors by the company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the company in addition to the audit of its financial statements.

In the absence of strong grounds to proceed otherwise, the Board of Management shall act in accordance with the recommendations of the Audit Committee in all these matters.

In addition, as per the provisions of the Petroleum Products (Federal Control) Act, 1974 the terms of reference of the Audit Committee shall also include the following:

i. Determination of appropriate measures to safeguard the company's assets;

ii. Review of preliminary announcements of results prior to publication;

iii. Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Management, focusing on:

- Major judgmental areas;
- Significant adjustments resulting from the audit;
- The going-concern assumption;
- Any changes in accounting policies and practices;
- Compliance with applicable accounting standards; and
- Compliance with listing regulations and other statutory and regulatory requirements.

iv. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

v. Review of the management letter issued by external auditors and management's response thereto;

vi. Ensuring coordination between the internal and external auditors of the company;

vii. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

viii. Consideration of major findings of internal investigations and management's response thereto;

ix. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

x. Review of the company's statement on internal control systems prior to their endorsement by the Board of Management;

xi. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Management, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;

xii. Determination of compliance with relevant statutory requirements;

xiii. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

xiv. Consideration of any other issue or matter as may be assigned by the Board of Management.

Board Finance and Operation Committee

Chairman
Mr. Arshad Said

Members
Mr. Mahmood Akhtar
Mr. Iskander Mohammed Khan
Mr. Muhammad Ejaz Chaudhry

Secretary
Mr. Yacoob Suttar

TERMS OF REFERENCE OF THE BOARD FINANCE AND OPERATION COMMITTEE

The Board Finance and Operation Committee primarily reviews the financial and operating plans of the company and all matters relating to them. The Finance and Operation Committee's scope of work entails carrying out the following activities and duties and recommending their findings to the Board of Management (BOM) for approval:

1. Review the prevailing as well as the proposed annual business plan covering the following:
   - Performance Results
   - Annual Revenue Budget
   - Annual Capital Budget
   - Capital Expenditure vs. Capital Budget

2. Analyze gross and operating margins vis-à-vis major operating expenses including administrative and marketing expenses, financial charges, transportation etc and approve them after deliberations and mutual consensus.

3. Consider the general economic conditions of the country, competitive realities and scenarios and suggest appropriate measures and remedies to improve the company's performance.

4. Suggest ways to generate cash either through the issuance of shares, bonds or any other financial instruments.

5. Consider investments and disinvestments of funds outside the normal conduct of the business.

6. Any other issue assigned by the Board of Management.

Board Human Resources Committee

Chairman
Dr. Sardar M. Yasin Malik

Members
Mr. Irfan K. Qureshi
Mr. Muhammad Ejaz Chaudhry
Mr. Muhammed Yousaf Qamar Hussain Siddiqui

Secretary
Mr. Babar H. Chaudhry

TERMS OF REFERENCE OF THE BOARD HUMAN RESOURCES COMMITTEE

Responsibilities

The committee will be responsible for making recommendations to the Board for maintaining:
- A sound plan of organization for the company.
- An effective employees' development program.
- Sound compensation and benefits plans, policies and practices designed to attract and retain the caliber of personnel needed to manage the business effectively.

Functions:

1. Review organization structure periodically to:
   a. Evaluate and recommend for approval of changes in the organization, functions and relationships affecting management positions equivalent in importance to those on the management position schedule.
   b. Establish plans and procedures which provide an effective basis for management control over company manpower.
   c. Determine appropriate limits of authority and approval procedures for personnel matters requiring decisions at different levels of management.

2. Review the employees' development system to ensure that it:
   a. Foresees the company's senior management requirements.
   b. Provides for early identification and development of key personnel.
   c. Brings forward specific succession plans for senior management positions.
   d. Training and development plans.

3. Compensation and Benefits
   a. Review data of competitive compensation practices and review and evaluate policies and programs through which the company compensates its employees.
   b. Approve salary ranges, salaries and other compensation for the CEO and Senior Management / Executive Directors reporting to the CEO.

Aviation - PSO serves the fuel demands of both national and international air carriers. We provide jet fuel into plane refueling facilities at 9 airports of Pakistan i.e. Karachi, Lahore, Islamabad, Peshawar, Multan, Faisalabad, Turbat, Pasni and Sialkot.

Weaving - Faisalabad is a key industrial centre specialising, amongst other things, in cotton and silk textiles and dyes.

FAISALABAD

Punjab, Pakistan - 31° 30'N, 73° 05'E
Faisalabad is a city located in the province of Punjab, Pakistan. It was formerly known as Lyallpur, and is the third largest city in Pakistan with an estimated 2009 population of approximately 3.5 million.

The colonial-era grand clock tower, which is known locally as Ghanta Ghar, is located in the centre with eight roads radiating outwards in towards eight bazaars, each with different types of markets and goods.

Faisalabad has a strong industrial base including textiles, jewellery, home furniture, and pharmaceuticals, assisted by the expanding transport network that includes newly built motorways to Lahore and Rawalpindi.

PSO facilitates the expanding transport network with 330 retail outlets across Faisalabad.

Other Committees

Management Committee

Chairman
Mr. Irfan K. Qureshi

Members
Mr. Yacoob Suttar
Mr. Amjad Parvez Janjua

Secretary
Mr. Amjad Parvez Janjua

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.

Other Committees

Core Leadership Team

Chairman
Mr. Irfan K. Qureshi

Members
Mr. Yacoob Suttar
Mr. Aijazuddin
Mr. Amjad Parvez Janjua
Mr. Aziz Hemani
Mr. Babar H. Chaudhry
Mr. Irfan Kidwai
Mr. Javed H. Zuberi
Mr. Jehangir Ali Shah
Mr. Nadeem Memon
Mr. Nazir A. Zaidi
Mr. Shehzad Manzoor
Mr. Tariq Razvi
Mr. Tariq Akber
Mr. Vaqar Ahmed Khan
Mr. Zafar Ahmed Khan
Mr. Zahid ul Hasan
Mr. Zulfiqar Jaffery

Secretary
Mr. Amjad Parvez Janjua

CORE LEADERSHIP TEAM

The Core Leadership Team or CLT comprises of the Executive Directors and General Managers of the company. It is chaired by the Managing Director. In this meeting various company intiatives and progress on different assignments are discussed.

Woodwork - Brass or bone inlay and brightly lacquered intricate woodwork are the specialities of the region. Some fine examples of mythical woodwork and murals are also resplendent in the breathtaking architecture.

Lubes Manufacturing Terminal - PSO has a state-of-the-art Lubricant Manufacturing Terminal (LMT) which is ISO - 9001 certified. This caters to all kinds of lubricants customers including automotive, hi-street and industrial consumers.

D. I. KHAN

NWFP, Pakistan - 31°49′ N, 70°55′E
Dera Ismail Khan is a city in the North West Frontier Province, Pakistan.

A popular tourist destination is a pre-Islamic fort called Bilot, 30 miles from the Dera Ismail Khan on the Dera Ismail Khan-Chashma highway. Its ruins are situated on a hill.

A sacred Sikh shrine is located in the Chota Bazaar of Dera Ismail Khan as Guru Nanak, the founder of the Sikh religion, is believed to have visited this place during his fourth itinerary.

One of the most famous products of Dera Ismail Khan is the variety of mango called the "langra". The most desirable langras are grown in the village of Panyala in Dera Ismail Khan. This district also produces wheat, sugar cane, rice, and dhakki dates that are exported the world over.

PSO has a network of 204 retail outlets across Dera Ismail Khan. PSO's divisional office is facilitating transporters, petrol pump dealers and other motorists alike.

Other Committees

Executive Committee

Chairman
Mr. Irfan K. Qureshi

Members
EDs, GMs, DGMs and Departmental Heads

Secretary
Mr. Aamir Abbasi

EXECUTIVE COMMITTEE

The Executive Committee or Ex-Com is another high level committee which meets once in a month 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 and it comprises of EDs / GMs / DGMs / Departmental Heads of the company.

Other Committees

Employee Leadership Team

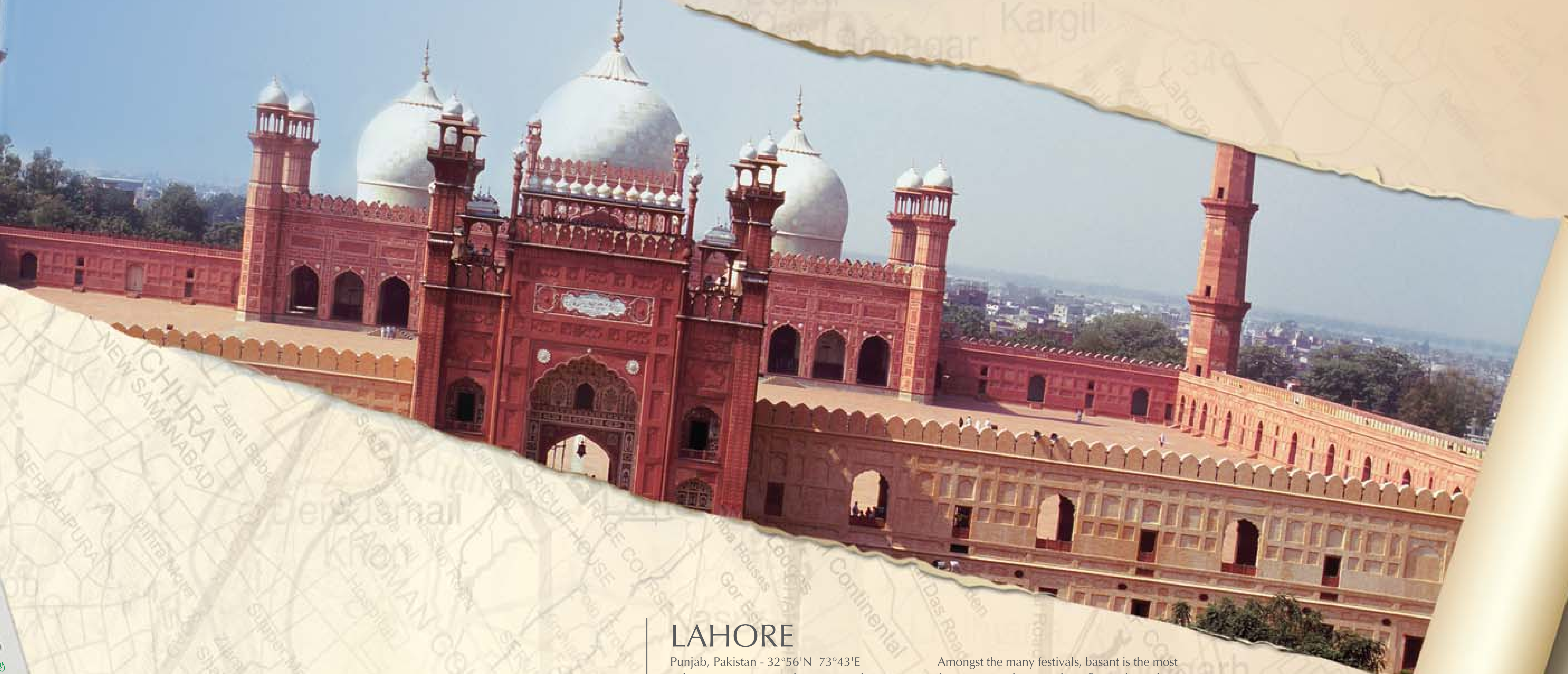
Chairman
Mr. Irfan K. Qureshi

Member
Mr. Yacoob Suttar

Secretary
Mr. Babar H. Chaudhry

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.



Food Street - The Food Street in Gawalmandi, Lahore is the centre of traditional Pakistani food. The site is surrounded by historical places like Landa Bazaar, Mayo Hospital and Baansan-wala Bazaar.

Non Fuel Retail - PSO goes beyond fuel to offer convenience and flexibility to our retail customers through a network of C-Shops, ATM's and quick service restaurants at the forecourts.

LAHORE

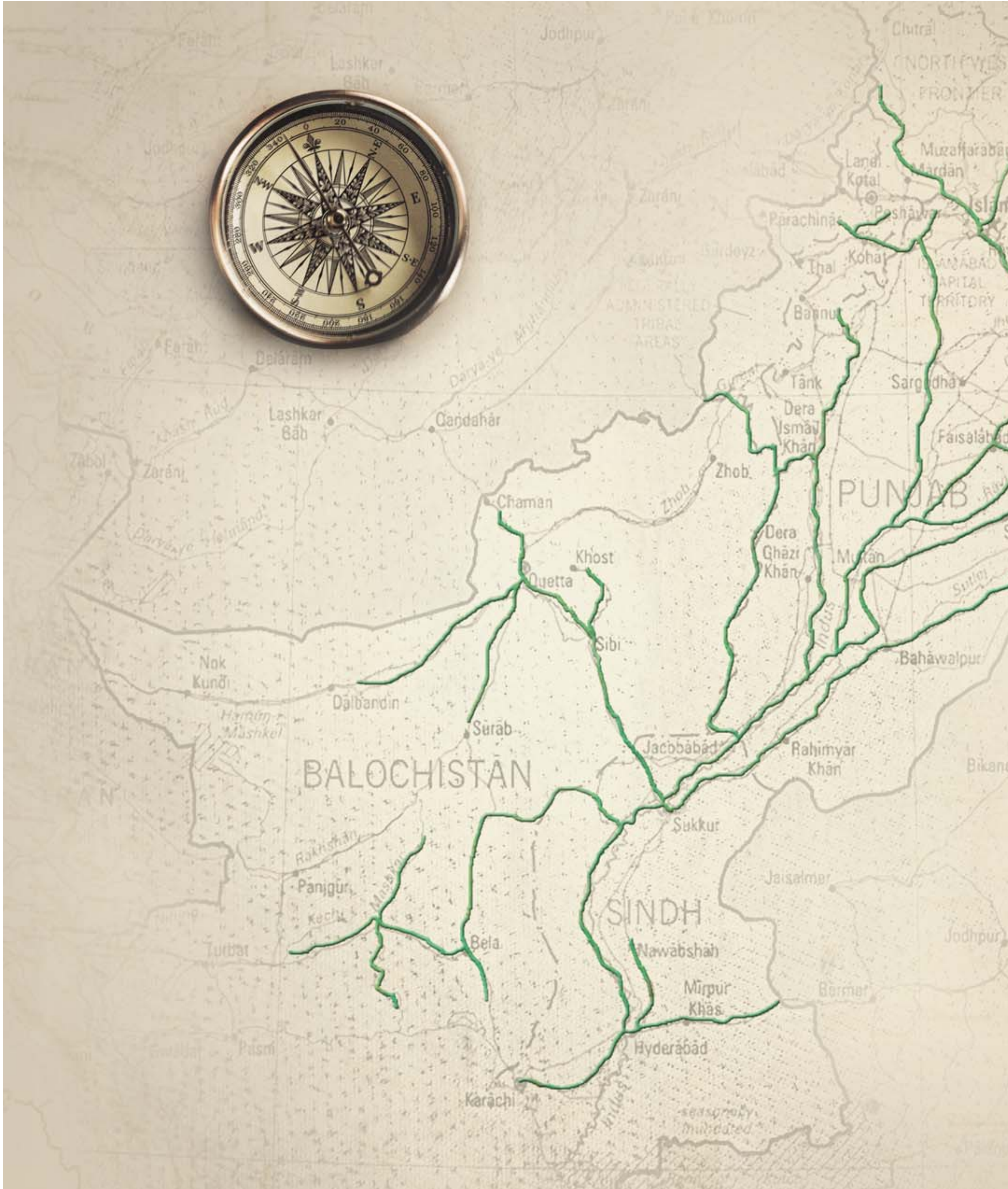
Punjab, Pakistan - 32°56'N 73°43'E

Lahore is a city in north-eastern Pakistan on the Ravi River, and is the capital city of the Punjab Province. It is the principal commercial, banking, and transportation centre of the province.

Lahore is famous for many architectural buildings with historical importance, for example The Badshahi Mosque, Minar-e Pakistan, Jehangir Fort, Shalimar Gardens and Hiran Minar.

Amongst the many festivals, basant is the most famous in Lahore, a kite flying festival in which the people from all over Lahore as well as abroad gather to celebrate the coming of spring. Kite-flying competitions take place on city rooftops and the sky is immersed in a kaleidoscope of colours.

280 PSO retail outlets fuel this provincial metropolis; some housed with CNG conversion centres. PSO also has strategic alliances with international food chains whose outlets are operational at PSO service stations.



WEAVING THE NETWORK OF OUR NATION

ANNUAL REPORT 2009

Pakistan State Oil

PSO’s retail outlet at Skardu

Wherever you go, we’re there too

WEAVING THE NETWORK OF OUR NATION

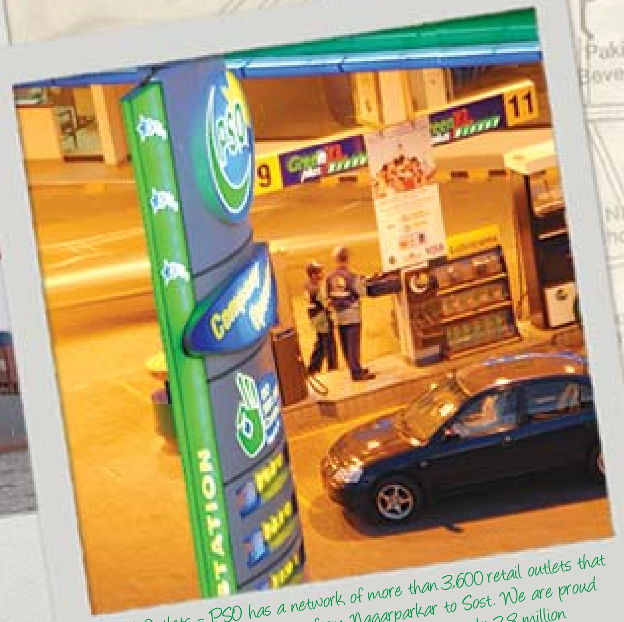
Take a look around you, and chances are you'll find us there; somewhere near you, and everywhere in Pakistan, from the airport in your city, to the industrial sector to quite possibly, the car right next to yours on the road.

That's because most people choose PSO’s products over any other in the country, as we fuel air and sea ports, government entities, armed forces, railways, the agriculture sector, IPPs and industrial units with maximum efficiency. So wherever you go, you'll find us there - engineering innovations with a portfolio of products and solutions that no other company can offer. With more than 3,600 retail outlets serving approximately 2.8 million retail customers daily along with 2,000 industrial units and business houses and a fleet of 6,000 tank lorries, tank wagons and pipelines, PSO has the largest distribution network in the country.

We take great pride in maintaining our tradition of excellence with our commitment to meet the energy needs of today and the rising challenges of tomorrow by anticipating future needs before they arise, with the benefit of our consumers and investors in mind. Because thinking ahead is the only way of staying ahead.

CONTENTS

Sea Port - Karachi's bustling seaport, centred on the island of Keamari, is the hub for most of the country's international trade.



Retail Outlets - PSO has a network of more than 3,600 retail outlets that enables us to reach Pakistanis from Nagarparkar to Sost. We are proud to cater to the fuel and non-fuel needs of approximately 2.8 million customers per day.

KARACHI

Sindh, Pakistan - 4° 48' N 66° 59' E

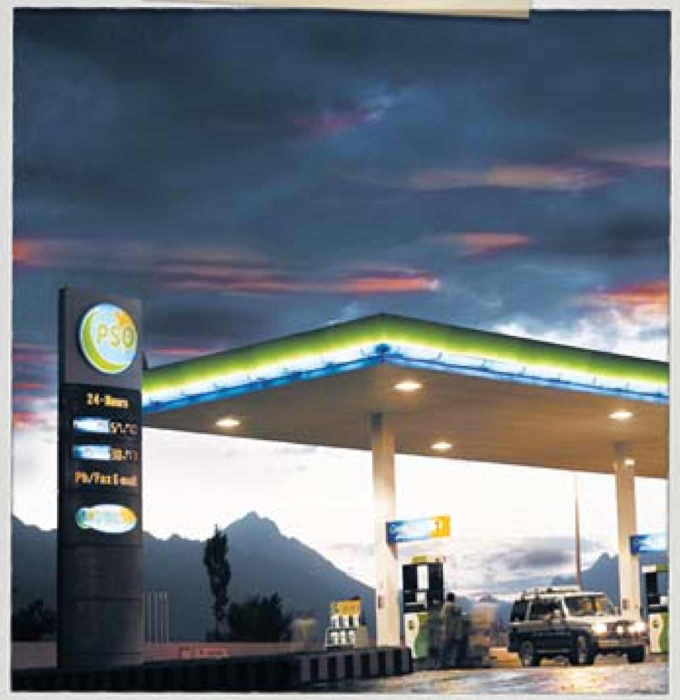
Karachi is situated in southern Pakistan and is the capital of the Sindh Province. The hub of a sprawling metropolitan area, Karachi is the nation's largest city and its chief transportation, financial, commercial, and manufacturing centre. The city is also an important banking centre with a stock exchange.

Karachi has a rich collection of buildings and structures of various architectural styles ranging from Mughal to Colonial. The Kothari Parade and Mohatta Palace are fine examples of Mughal architecture in Karachi.

Known for its beaches and local fishing villages, Karachi carves the network for a major percentage of fish exports. Most of the international trade of Pakistan also passes through the city's busy modern port, centred on the island of Keamari.

With 192 retail outlets across Karachi supported by an uninterrupted supply chain, PSO caters to the fuel requirements of the citizens of Karachi as well as important economic sectors spanning from aviation, power plants and other industrial units round-the-clock.

Corporate Objectives



3,620 distribution outlets. What is your destination?

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 a competitive advantage in providing the highest quality petroleum products and services to our customers based on:

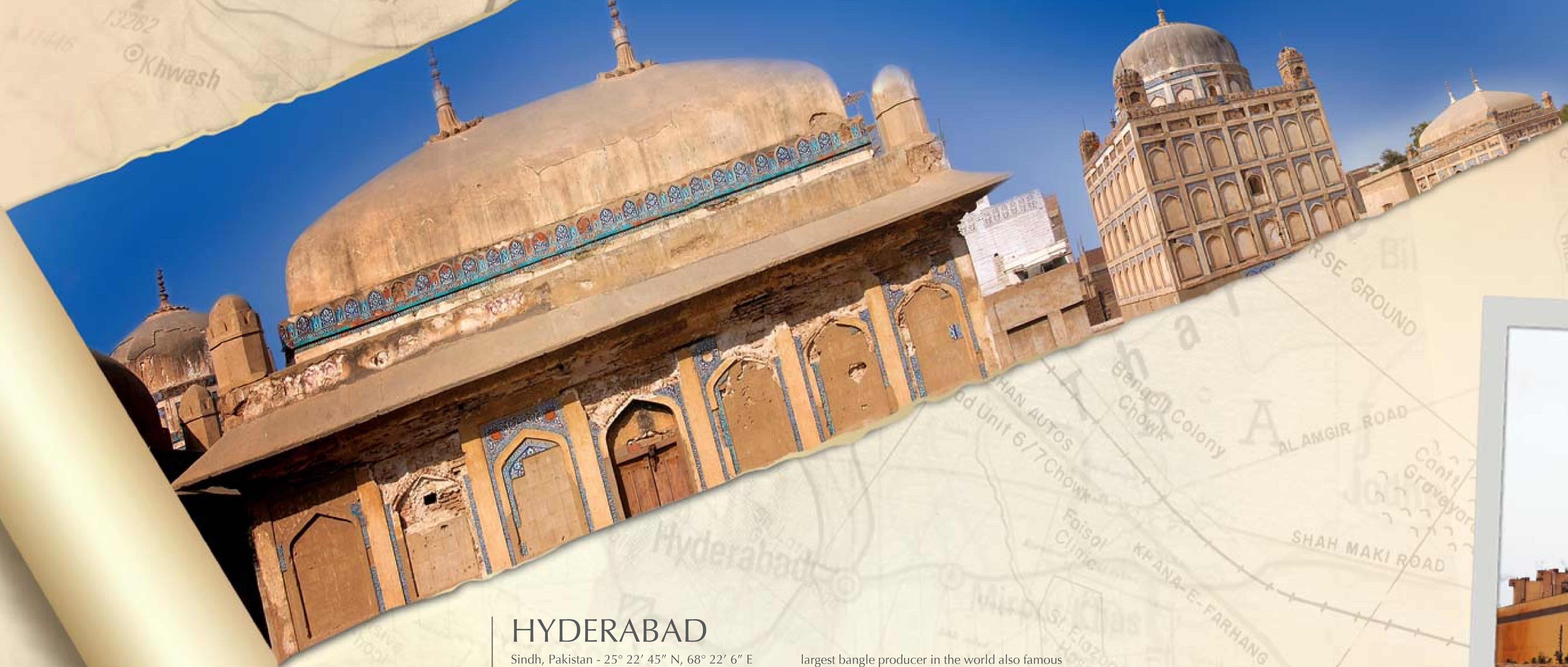
1. A professionally trained, high-quality, motivated workforce that works as a team in an environment which recognizes and rewards performance, innovation and creativity, and provides for personal growth and development.
2. The lowest-cost operations and assured access to long-term and cost-effective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

Welcome to PSO, the largest oil marketing company of the country committed to fuelling the progress of the nation.

Strategic Objectives

1. Maximize profitability in the Lubricants business through segmented marketing and brand promotion.
2. Explore potential markets for the export of fuels and lubricants.
3. Expand the PSO Cards Business by enhancing the customer base, efficient distribution and brand partnership.
4. Enhance our reach and add to our network of New Vision Retail Outlets (NVROs).
5. Develop bio-fuels and expand the gaseous fuels business.
6. Revamp the C-store network, introduce Quick Service Restaurants and develop strategic alliances with local and international franchises.
7. Revamp organizational structure and various functions in line with the best corporate practices.
8. Streamline systems and procedures in accordance with the changing business environment.
9. Ensure full HSE compliance in all our operations and try to meet a zero accident objective through effective system development, training, inspections and audit.
10. Reinforce quality assurance by acquiring the ISO 9000 quality management certification of various departments, and expansion of MQTU network.

We at PSO serve approximately 2.8 million customers daily through the largest and most extensive distribution network in the country.



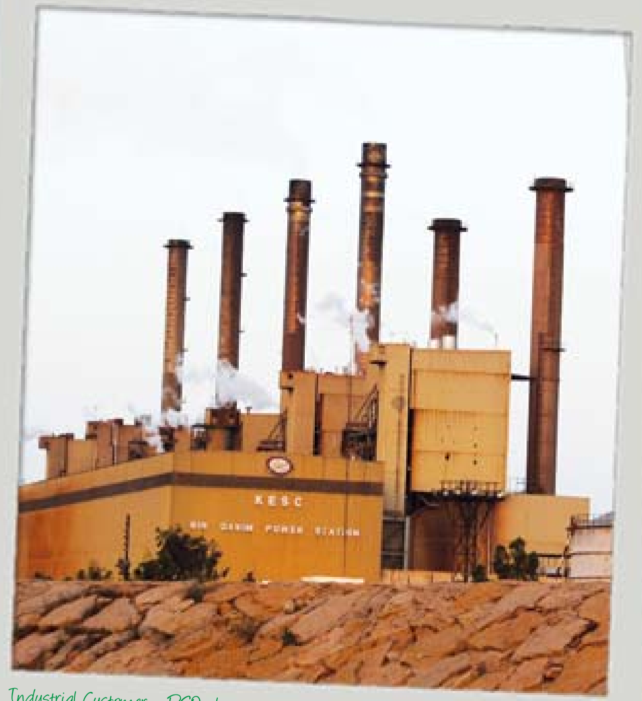
HYDERABAD

Sindh, Pakistan - 25° 22′ 45″ N, 68° 22′ 6″ E
Hyderabad is located in the Sindh province of Pakistan and has been a staging point towards the Sindhi language and the birthplace of a few influential poets and Sufi dervishes.

Meer tombs is a Pre-Harappa site which flourished from 3,600 to 3,300 BC and is located 110 kilometres north of Hyderabad. Kotri barrage, a very important irrigation system built at the outskirts of the city, is responsible for supplying water to major cities of Pakistan.

Rich with culture and tradition, Hyderabad is the largest bangle producer in the world also famous for its pottery and metal work for trucks and vehicles.

PSO enjoys a wide reach in Hyderabad with 304 retail outlets across the city to meet the fuel requirements of residents and transporters alike.



Industrial Customer - PSO plays a pivotal role in meeting the growing energy demand of the country. Besides supplying fuel to national power utilities like WAPDA and KESC, PSO is the sole furnace oil supplier to all Independent Power Projects (IPPs) in Pakistan.

Bangles - The largest bangle producer in the world, Hyderabad is most famous for its lacquered bangles, which are studded with glittering and beautifully cut glass pieces of various colours.

Core 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.

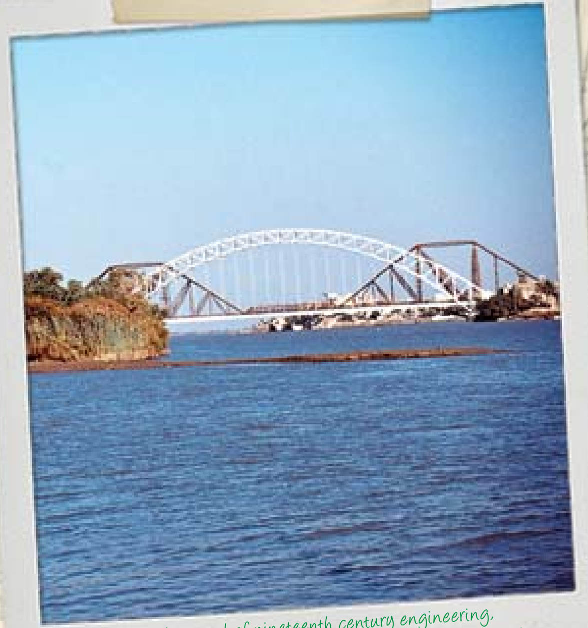
What drives us forward?
High quality service and customer care.

Code of Conduct

In line with management's effort to maintain the decorum and ensure an environment that is cohesive to the development and success of our people, a Code of Conduct has been put in place where the following activities can result in disciplinary action:

1. Unsatisfactory and negligent job performance.
2. Excessive and unauthorized absence from duty.
3. Unsatisfactory safety performance.
4. Reporting on duty under the influence of drug or intoxicants.
5. Absence from duty without notice or permission from the supervisor unless the cause of absence prevents giving notice.
6. Using influence for promotion, transfer or posting.
7. Conduct that violates common decency and morality.
8. Engaging in a fight or in activity that could provoke fighting on site property.
9. Insubordination or deliberate refusal to comply with reasonable requests or instructions.
10. Use or possession of weapons, ammunitions, explosives, intoxicants, illicit drugs or narcotics on site.
11. Acts of "horse play" on site property.
12. Gambling on site property or bringing illegal gambling paraphernalia on to the site.
13. Theft or unauthorized removal of site property or property belonging to site employee, contractor and vendor.
14. Intentional damage to site, employee, contractor or vendor property.
15. Dishonest act or fortification of records, including the giving of false information when required.
16. Bringing combustible material on site or having any type of match sticks, cigarette lighter or flame producing device in restricted areas.
17. Smoking except in designated areas.
18. Using or divulging without permission, any confidential information gained through employment at the site.
19. Physical, mental or sexual harassment of fellow employee including threat to do bodily harm.
20. Crime involving fraud, indecency, breach of dignity or public morals and other serious offences.
21. Any other commission or omission which, in the opinion of the company, requires/justifies dismissal/termination of employment.

Our most important asset? Our workforce.



Rohri Bridge - A marvel of nineteenth century engineering, the Rohri Bridge is the longest, rigid, girder bridge in the world. The bridge provides a railway link between Lahore and the port of Karachi.

Mobile Quality Testing Units - PSO has a fleet of 21 mobile Quality Testing Units operating from 15 major cities of Pakistan to ensure the best and finest quality of fuel is delivered to its retail customers.

SUKKUR

Sindh, Pakistan - 28°05 '02"N, 68° 43' 47"E

Sukkur is the third largest city of the Sindh province, situated on the west bank of the Indus River. Sukkur is nicknamed Darya Dino, meaning the gift of river, as without the Indus the city would be a desert.

The Sukkur barrage controls one of the largest irrigation systems in the world. The 5,000 feet long barrage has 66 gates and is made of yellow stone and steel and can irrigate nearly 10 million acres of farmland through its seven canals. Some of the canals are larger than the Suez Canal.

Sukkur is famous for its sussi cloth, ceramic tiles, block printing and woodwork.

The Sukkur division houses 220 PSO retail outlets to facilitate both the transport and agriculture sectors.

Company Profile

Pakistan State Oil, the largest oil marketing company in the country, is currently engaged in the marketing and distribution of various POL products including Motor Gasoline (Mogas), High Speed Diesel (HSD), Furnace Oil (FO), Jet Fuel (JP1), Kerosene, LPG, CNG, Petrochemicals and Lubricants. In addition to this, we also import different products according to their demand pattern and possess the biggest storage facilities representing 80% of the country's total storage capacity.

Brief overview of each business facet of PSO is stated below:

Marketing & Distribution

The company has the largest distribution network comprising of 3,620 outlets out of which 3,384 serve retail customers, 53 outlets cater to the agriculture sector and 183 outlets serve our bulk customers. Out of a total number of 3620 outlets, 1,735 have been upgraded as per the New Vision Retail Program with the most modern facilities.

Moreover, there are 37 company owned and company operated (Co-Co) sites to serve our retail customers. The idea of setting up Co-Co sites was to make these stations flagships under maximum supervision and intense scrutiny to maintain the highest level of efficiency, service and customer care.

In addition to retail customers, more than 2,000 industrial units & business houses, power plants and airlines are being catered to by PSO's different departments.

Acquisition of Products

Traditionally, due to the high demand of two products, i.e. High Speed Diesel (HSD) and Furnace Oil (FO), there has been a supply deficit in the country. Transport and automotive sectors are the main consumers of HSD and Mogas whereas power plants and IPPs use up Furnace Oil for electricity generation. To meet the supply deficit, PSO imports HSD and FO along with some additional volumes of Mogas as and when required. The OMCs import around 9.8 million metric tons of the white and black oil products of which PSO has the lion's share of imports accounting for more than 88 percent.

PSO has maintained a 30-year mutually-beneficial business relationship with Kuwait Petroleum Corporation (KPC) for the purchase of HSD and FO. This is through a term contract, which assures both parties of continued product supply and protects PSO from frequent price fluctuations in the international HSD market.

Other than importing products, various refineries in Pakistan including Attock Refinery Limited, Pakistan Refinery Limited, BOSICOR, NRL and PARCO cater to our product needs including that of LPG, motor gasoline, kerosene, jet fuels, high speed diesel and furnace oil.

Storage

PSO possesses huge infrastructure facilities from Karachi to Gilgit. This entails 9 installations and 12+1 depots with a storage capacity exceeding 1 million metric tons, representing over 80% of the total storage capacity owned by all oil marketing companies.

To optimize storage utilization, the company has recently also provided hospitality to refineries and other oil marketing companies that include Chevron, Total PARCO and Hascombe.

Product Movement

The modes used for the product movement of POL products by PSO include tank lorries, tank wagons and pipeline. We have a fleet of around 6,000 tank lorries. Around 1,200 tank lorries, equipped with tracking and pilfer proof systems, have been upgraded as per international standards which are engaged in delivering quality fuels across the country.

With the inception of the White Oil Pipeline Project (WOPP) from Karachi to Mehmood Kot via Shikarpur & the MFM (Mehmood Kot / Faisalabad / Machikey) pipeline, the pattern of supplies from Karachi has drastically changed as the entire white oil movement from Karachi has been switched over from tank lorries to pipeline. PSO has an equity partnership in this project with a 12% shareholding.

Lubes Manufacturing & Sales

To cater to all kinds of lubricant customers including automotive, hi-street and industrial consumers by meeting the national demand through products of international standards, PSO has set up a state-of-the-art Lubricants Manufacturing Terminal (LMT) at the Korangi Industrial Area in Karachi.

Raw materials (Lube Base Oils and Additives) are acquired from suppliers of national and international repute and stored as per prevailing global standards. The most advanced computerized equipments like the Automatic Batch Blender (ABB), Simultaneous Metered Blending (SMB) and Additive Dozing Unit (ADU) have been installed at the LMT in order to produce top-quality lubricants in the desired volume as per demand.

PSO Brands

PSO's leading retail brands include Premier-XL (petrol with a 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.

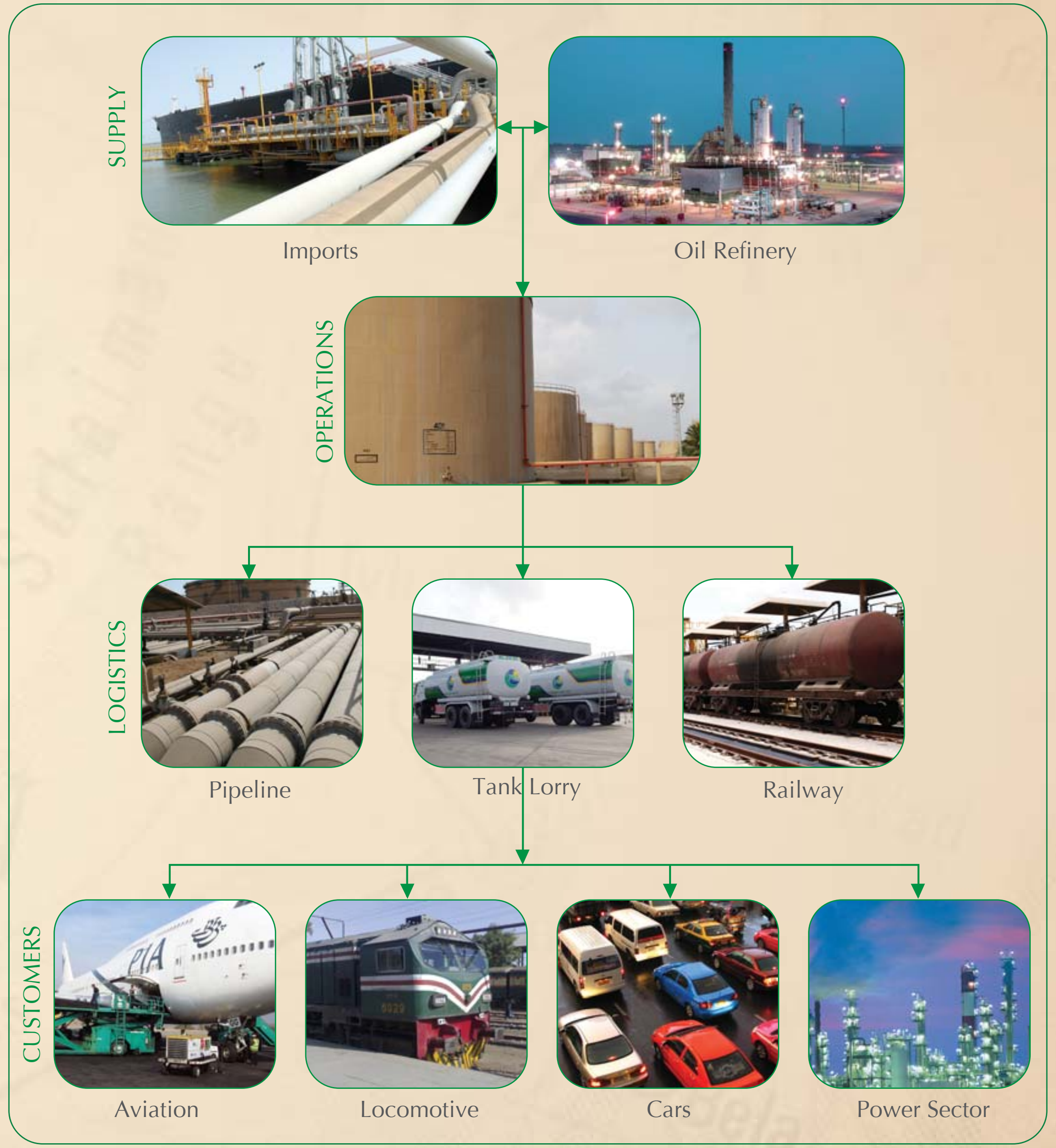
Non-Fuel Retail

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.

Industrial Consumer

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

OVERVIEW OF SUPPLY CHAIN



Bio-Diesel - Pakistan State Oil has taken an initiative towards alternate fuels by launching a pilot project for production of Bio Diesel. For this purpose PSO has developed a Jatropha Model Farm at Karachi.

Rilli - The Rilli is a Sindhi icon and a speciality of the artisans of Bahawalpur. Small pieces of different geometrical shapes of cloth are meticulously sewn together to create stunning designs.

BAHAWALPUR

Punjab, Pakistan - 29° 20' 40" N , 71° 42' 45" E
Bahawalpur is the capital city of Bahawalpur District located in Punjab, Pakistan. Saraiki and Punjabi are the local languages of the area while Urdu and English are also spoken.

The historic Derawar Fort with its enormous structure lies in the heart of the Cholistan Desert near Bahawalpur. Its forty lofty and rolling battlements made of thin red bricks are visible from miles around. The fort itself dates back to the pre Harappan settlement, making it an archaeological wonder.

Rilli is a special fabric made of small pieces of cotton cloth of many colours along with needlework. It can be used as wall hangings, bed covers, carpets and blankets, and is the forté of the artisans of this area.

With a network spanning 249 retail outlets across Bahawalpur, PSO has woven itself into the infrastructure of this historic city.

Corporate Events FY09

Marketing Conference was organized in which relevant field staff from all over the country participated.

PSO's Mobile Quality Testing Unit was endorsed as ISO 9001:2008 Compliant by Moody International.

An agreement was signed with Virtual University to establish a VU PSO Campus at District Badin-Sindh.

AGM 2008 in progress

Vehicle Identification System was launched which provides control to customers on their fuel expenses.

PSO was among the top business enterprises in the Muslim world with its 29th ranking amongst Muslim companies worldwide.

PSO Fleet & Corporate Cards won the 4th Consumer Choice Awards in the category of most Preferred Fuel Credit Card.

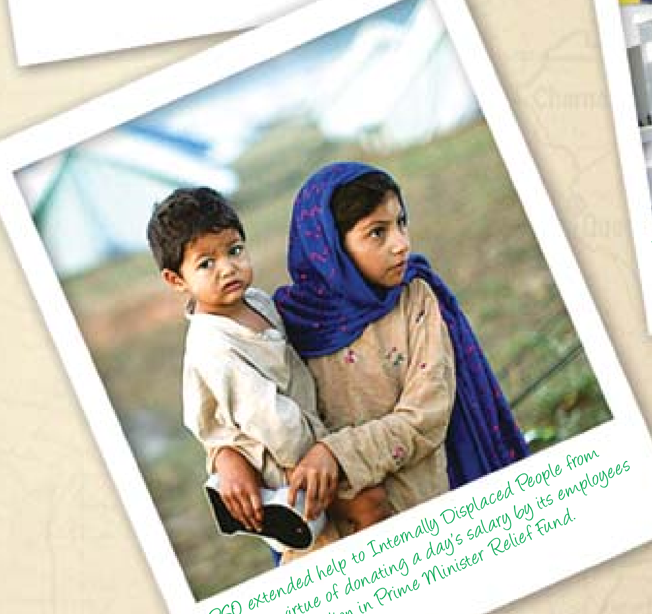
Pakistan's First Auto Credit Card was launched in collaboration with UBL.

AGM 2008 in progress

PSO became the only company in Pakistan's energy sector with ISO 27001:2005-ISMS Certification.

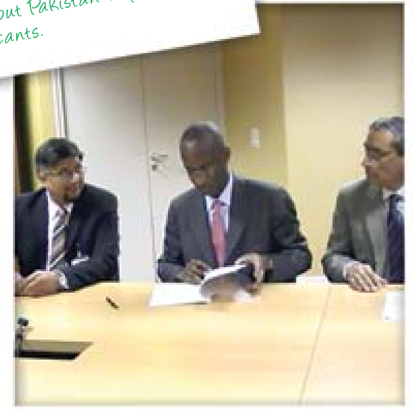
Five schools were established in earthquake affected areas in partnership with Heritage Foundation and The Citizens Foundation.

An agreement was signed with KATCO kids for establishing a Day Care Centre at PSO House Karachi.

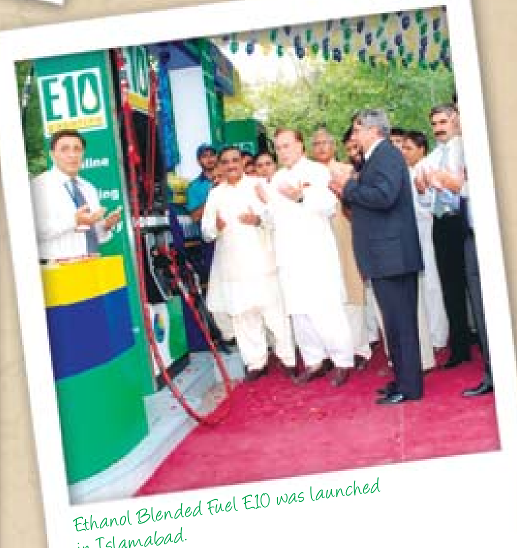


PSO extended help to Internally Displaced People from Swat by virtue of donating a day's salary by its employees and Rs. 10 million in Prime Minister Relief Fund.

PSO organized a series of CNG Customer Care Days throughout Pakistan to promote CNG and its lubricants.

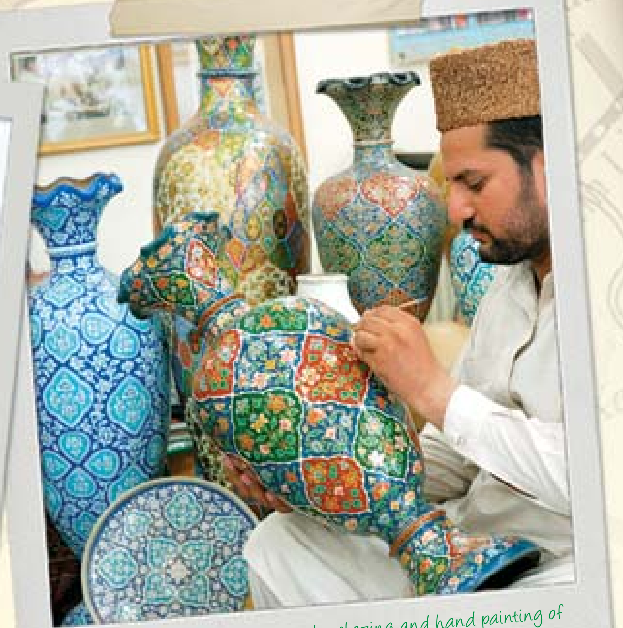


PSO and Air Total International (ATI) signed Technical and Agency Agreement for Aviation services all over Pakistan.



Ethanol Blended Fuel E10 was launched in Islamabad.

Storage - PSO has the widest storage network from Karachi to Gilgit. This entails 9 installations and 12+1 depots with a storage capacity exceeding 1 million tons, representing over 80% of the total storage capacity of the country.



Kashiwork - Kashiwork, which is the glazing and hand painting of ceramic products, is the forté of the artisans of Multan- a craft for which this city is famous the world over.

MULTAN

Punjab, Pakistan - 30° 12'N 71° 26'E

Multan is a city in the Punjab Province of Pakistan and capital of the Multan District. It is located in the southern part of the province on the east bank of the Chenab River, more or less in the geographic centre of the country and about 966 kms from Karachi. Multan is known as the 'City of Saints'. The city is full of bazaars, mosques, shrines and superbly designed tombs.

The Mausoleum of Rukn-i-Alam, an eminent Sufi Saint, could possibly be considered as the glory of Multan.

Kashiwork, which is the glazing and hand painting of ceramic products, is an important art for which Multan is famous the world over.

A network of 259 outlets across Multan establishes PSO as a vital player in the city's petroleum industry.

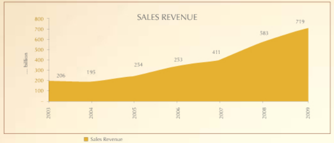
Financials

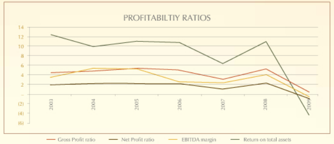
PSO at a Glance

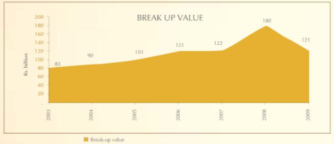
Rupees in Million (Unless Noted)

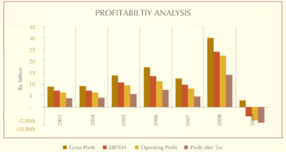
		2009	2008	2007	2006	2005	2004	2003
Sales Volume (MillionTons)		13.2	13.0	11.8	9.8	9.7	8.6	10.8
Profit & Loss Account								
Sales Revenue		719,282	583,214	411,058	352,515	253,777	195,130	206,376
Net Revenue		612,696	495,279	349,706	298,250	212,504	161,538	172,446
Gross Profit		3,010	30,024	12,259	17,207	13,746	9,191	8,955
Operating (Loss) / Profit		(5,577)	22,451	7,950	11,264	9,340	6,452	6,484
Marketing & Administrative Expenses		5,113	4,425	3,748	3,428	3,219	2,654	2,465
(Loss) / Profit before Tax		(11,357)	21,377	7,122	11,418	9,191	6,263	6,209
(Loss) / Profit after Tax		(6,699)	14,054	4,690	7,525	5,656	4,212	4,030
(Loss) / Earning before Interest, taxes, depreciation & Amortization (EBITDA)		(3,983)	23,912	9,420	13,385	10,546	7,243	7,113
Capital expenditure		694	620	1,609	751	1,506	2,096	1,643
Balance Sheet								
Share Capital		1,715	1,715	1,715	1,715	1,715	1,715	1,715
Reserves		19,156	29,250	19,224	19,098	15,830	13,731	11,348
Shareholders' Equity		20,871	30,965	20,939	20,813	17,545	15,446	13,063
Property Plant & Equipment		7,056	7,567	8,138	7,674	8,256	7,738	6,437
Net current assets		8,666	22,143	11,128	10,978	7,970	6,309	4,531
Long Term Liabilities		2,528	2,409	2,412	2,299	1,999	1,636	1,358
Profitabiltiy Ratios								
Gross Profit ratio	%	0.42	5.1	3.0	4.9	5.4	4.7	4.3
Net Profit ratio	%	(0.93)	2.4	1.1	2.1	2.2	2.2	1.2
EBITDA margin	%	(0.55)	4.1	2.3	3.8	4.2	3.7	3.5
Return on Shareholders' Equity	%	(32.10)	45.4	22.4	36.2	32.2	27.3	30.9
Return on total assets	%	(4.37)	11.1	6.30	10.7	10.8	9.9	12.5
Return on capital employed	%	15.47	68.1	35.4	54.1	48.9	40.8	44.9
Asset utilisation								
Inventory turnover ratio	(x)	13.96	10.1	11.7	11.5	11.2	13.1	19.7
Debtor turnover ratio	(x)	12.57	24.6	32.5	38.1	39.9	40.1	35.4
Creditor turnover ratio	(x)	6.32	9.6	10.8	12.5	13.5	12.2	15.1
Total asset turnover ratio	(x)	5.13	5.8	5.7	5.8	5.37	5.2	6.3
Fixed asset turnover ratio	(x)	98.38	74.3	52.0	44.3	31.7	27.5	36.4
Investment								
(Loss) / Earnings per share	Rs.	(39.05)	81.9	27.3	43.9	33.0	24.6	23.5
Market value per share (Year End)	Rs.	213.65	417.2	391.5	309.0	386.0	256.8	228.4
Highest Price	Rs.	428.79	539.7	418.3	452.3	490.1	316.6	239.5
Lowest Price	Rs.	96.00	317.5	280.5	264.7	239.0	232.8	109.9
Break-up value	Rs.	121.34	180.0	121.7	121.0	102.0	90.0	75.9
Price earning ratio (P/E)	(x)	(5.47)	5.1	14.3	7.0	11.6	10.4	9.7
Dividend per share	Rs.	5.00	23.5	21.0	34.0	26.0	17.5	16.0
Dividend payout	%	N/A	28.7	76.8	77.5	78.8	71.3	68.1
Dividend yield	%	2.34	5.6	5.4	11.0	6.7	6.8	7.0
Dividend cover ratio	(x)	N/A	3.5	1.3	1.3	1.3	1.4	1.5
Leverage								
Debt : Equity ratio		-	-	-	-	-	-	-
Interest Cover ratio	(x)	N/A	16.4	6.9	12.7	25.2	34.1	23.6
Current Ratio		1.07	1.2	1.2	1.2	1.2	1.3	1.3
Quick Ratio	(x)	0.75	0.6	0.6	0.6	0.6	0.7	0.8
Contribution								
Employees as remuneration		2,872	2,438	2,006	1,857	1,870	1,474	1,403
Government as taxes		161,388	85,208	68,096	58,822	38,823	50,942	53,699
Shareholders as dividends		858	4,031	3,602	5,831	4,459	3,002	2,744
Retained within the business		-	10,000	1,100	1,900	1,230	1,210	1,290
Financial charges to providers of finance		6,232	1,368	1,158	884	371	189	275

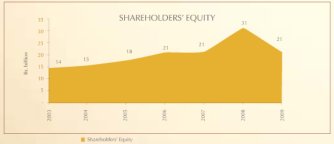
PSO at a Glance

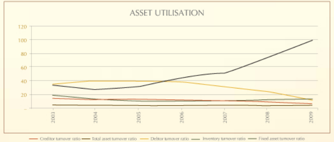




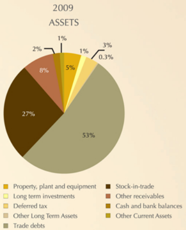


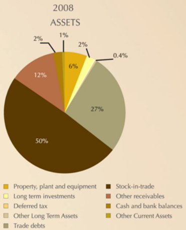


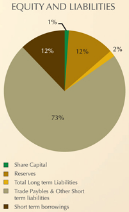


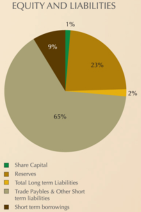


Composition of Balance Sheet



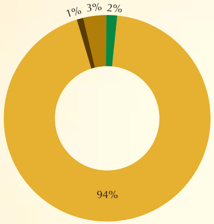






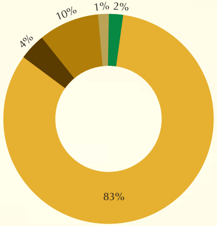
Contribution & Value Additions

2009



- Employees as remuneration
- Government as taxes
- Shareholders as dividends
- To Provider of finance

2008



- Employees as remuneration
- Government as taxes
- Shareholders as dividends
- Retained within the business
- To Provider of finance

Financial Analysis

BALANCE SHEET

	2009	2008	2007	2006	2005	2004	2003
VERTICAL ANALYSIS							
Long Term Assets							
Property, plant and equipment	4.60%	5.95%	10.89%	10.94%	15.78%	18.25%	19.90%
Long term investments	1.40%	2.13%	4.00%	4.67%	4.43%	4.40%	6.12%
Long term loans, advances and receivables	0.26%	0.38%	0.84%	0.99%	1.47%	2.15%	3.24%
Long term deposits and prepayments	0.05%	0.06%	0.09%	0.11%	0.20%	0.17%	0.17%
Deferred tax	3.28%	0.32%	0.54%	0.58%	0.24%	0.44%	1.15%
Total Non-Current Assets	9.60%	8.84%	16.36%	17.29%	22.13%	25.40%	30.59%
Current Assets							
Other Current Assets							
Stores, spares and loose tools	0.07%	0.09%	0.17%	0.18%	0.25%	0.45%	0.32%
Stock-in-trade	26.53%	49.06%	39.55%	40.14%	39.35%	35.30%	25.70%
Trade debts	52.48%	26.67%	18.20%	16.70%	12.98%	14.01%	24.96%
Loans and advances	0.27%	0.31%	0.49%	0.39%	0.41%	0.33%	0.54%
Deposits and short term prepayments	0.36%	0.32%	2.12%	1.84%	1.39%	2.34%	3.53%
Other receivables	8.35%	12.34%	21.08%	20.75%	19.80%	17.16%	9.80%
Taxation - net	0.46%	0.00%	0.00%	0.00%	0.00%	1.20%	0.55%
Short Term Investments	0.00%	0.00%	0.00%	0.00%	0.02%	0.07%	0.22%
Cash and bank balances	1.88%	2.37%	2.04%	2.71%	3.67%	3.73%	3.80%
Total Current Assets	90.40%	91.16%	83.64%	82.71%	77.87%	74.60%	69.41%
Net Assets in Bangladesh							
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
EQUITY AND LIABILITIES							
Share Capital	1.12%	1.35%	2.29%	2.44%	3.28%	4.04%	5.30%
Reserves	12.49%	23.01%	25.72%	27.22%	30.26%	32.38%	35.09%
Total Shareholders Equity	**13.60%**	**24.36%**	**28.02%**	**29.66%**	**33.54%**	**36.42%**	**40.40%**
Long term deposits	0.56%	0.66%	1.03%	1.06%	1.29%	1.45%	1.54%
Retirement and other service benefits	1.09%	1.24%	2.20%	2.22%	2.53%	2.41%	2.66%
Total Long term Liabilities	**1.65%**	**1.90%**	**3.23%**	**3.28%**	**3.82%**	**3.86%**	**4.20%**
Trade and other payables	71.78%	63.78%	55.44%	52.47%	49.30%	47.99%	50.44%
Provisions	0.45%	0.57%	0.92%	1.11%	1.44%	0.00%	0.00%
Accrued interest / mark-up	0.36%	0.17%	0.18%	0.17%	0.12%	0.07%	0.00%
Short term borrowings	12.16%	8.65%	12.13%	10.90%	9.20%	11.66%	4.97%
Taxes payable	0.00%	0.57%	0.09%	2.42%	2.57%	0.00%	0.00%
Total Current Liabilities	84.75%	73.74%	68.76%	67.06%	62.64%	59.72%	55.40%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
HORIZONTAL ANALYSIS							
Property, plant and equipment	110%	118%	126%	119%	128%	120%	100%
Total Non-Current Assets	149%	114%	124%	123%	117%	109%	100%
Stock-in-trade	490%	750%	356%	339%	248%	180%	100%
Trade debts	998%	420%	169%	145%	84%	74%	100%
Other receivables	404%	495%	497%	459%	327%	230%	100%
Cash and bank balances	235%	246%	124%	155%	156%	129%	100%
Total Current Assets	618%	516%	278%	259%	181%	141%	100%
Total Assets	474%	393%	231%	217%	162%	131%	100%
Share Capital	100%	100%	100%	100%	100%	100%	100%
Reserves	169%	258%	169%	168%	139%	121%	100%
Total Shareholders Equity	160%	237%	160%	159%	134%	118%	100%
Total Long term Liabilities	186%	177%	178%	169%	147%	120%	100%
Trade and other payables	675%	497%	254%	226%	158%	125%	100%
Provisions	-	-	-	-	-	-	-
Total Current Liabilities	726%	523%	287%	263%	183%	141%	100%
Total Equity & Liabilities	474%	393%	231%	217%	162%	131%	100%

Financial Analysis

PROFIT AND LOSS ACCOUNT

VERTICAL ANALYSIS

	2009	2008	2007	2006	2005	2004	2003
Sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Sales Tax	13.54%	12.73%	12.75%	12.63%	12.87%	12.98%	13.13%
IFEM/Levies	1.28%	2.35%	2.17%	2.76%	3.39%	4.23%	3.31%
Net sales	85.18%	84.92%	85.07%	84.61%	83.74%	82.78%	83.56%
Cost of products sold	84.76%	79.77%	82.09%	79.73%	78.32%	78.07%	79.22%
Gross Prošt	0.42%	5.15%	2.98%	4.88%	5.42%	4.71%	4.34%
Operating Costs							
Transportation	0.07%	0.06%	0.09%	0.10%	0.12%	0.13%	0.07%
Administrative & Marketing Expenses	0.71%	0.76%	0.91%	0.97%	1.27%	1.36%	0.96%
Depreciation	0.17%	0.20%	0.28%	0.31%	0.39%	0.41%	0.30%
Other operating expenses	0.56%	0.57%	0.18%	0.70%	0.42%	0.26%	0.00%
Total Operating Costs	1.50%	1.59%	1.46%	2.08%	2.20%	2.16%	1.33%
	1.09%	-3.56%	-1.52%	-2.80%	-3.21%	-2.55%	-3.01%
Other Income / Other Operating income	0.31%	0.29%	1.93%	0.40%	0.55%	0.76%	0.14%
(Loss) / Prošt from Oper ations	-0.78%	3.85%	1.93%	3.20%	3.68%	3.31%	3.14%
Finance cost	0.87%	0.23%	0.28%	0.25%	0.15%	0.10%	0.13%
Share of Prošt of Associates	0.06%	0.05%	0.08%	0.29%	0.09%	0.00%	0.00%
(Loss) / Prošt before taxation	-1.58%	3.67%	1.73%	3.24%	3.62%	3.21%	3.01%
Taxation	0.65%	1.26%	0.59%	1.10%	1.39%	1.05%	1.06%
Net (Loss) / Prošt	-0.93%	2.41%	1.14%	2.13%	2.23%	2.16%	1.95%

Financial Analysis

(Amounts in Rupees '000)

PROFIT AND LOSS ACCOUNT

HORIZONTAL ANALYSIS

	2009	2008	2007	2006	2005	2004	2003
Sales	349%	283%	199%	171%	123%	95%	100%
Sales Tax	359%	274%	193%	164%	121%	93%	100%
IFEM/Levies	135%	200%	131%	142%	126%	121%	100%
	314%	259%	181%	160%	122%	99%	100%
Net sales	355%	287%	203%	173%	123%	94%	100%
Cost of products sold	373%	285%	206%	172%	122%	93%	100%
Gross Prošt	34%	335%	137%	192%	154%	103%	100%
Operating Costs							
Transportation	370%	243%	266%	263%	225%	188%	100%
Administrative & Marketing expenses	258%	223%	189%	173%	162%	134%	100%
Depreciation	190%	185%	181%	172%	156%	126%	100%
Other operating expenses	774%	650%	146%	477%	209%	100%	0%
Total Operating Costs	393%	338%	219%	267%	203%	154%	100%
	-126%	334%	101%	159%	131%	80%	100%
Other Income / Other Operating Income	798%	613%	610%	499%	425%	532%	100%
(Loss) / Prošt from oper ations	-86%	346%	123%	174%	144%	100%	100%
Finance cost	2268%	498%	421%	322%	135%	69%	100%
	-190%	340%	109%	167%	144%	101%	100%
Share of Prošt of Associates	204%	133%	149%	468%	100%	0%	0%
(Loss) / Prošt before taxation	-183%	344%	115%	184%	148%	101%	100%
Taxation	-214%	336%	112%	179%	162%	94%	100%
Net (Loss) / Prošt	**-166%**	**349%**	**116%**	**187%**	**140%**	**105%**	**100%**

SUMMARY OF CASH FLOW STATEMENT

Cash inflow from operating activities	(4,828,554)	4,116,415	3,715,768	1,702,598	5,307,821	1,571,278	5,552,986
Net cash (outflow) from investing activities	(2,889)	(172,926)	(707,953)	(173,687)	(1,219,568)	(1,667,293)	(1,725,674)
Net cash (outflow) from financing activities	511,790	(9,716,130)	(1,589,821)	4,035,619	(3,087,422)	(725,302)	(4,430,785)
Cash & cash equivalents at end of the year	(11,510,325)	(7,190,672)	(1,418,031)	2,836,025	(191,669)	(1,192,500)	1,228,220

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 criterion for the election, functioning and responsibilities of the Board of Directors. However, the said criterion 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 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 occurring in the board due to resignation of a BOM member last year has not yet been filled-up by the Federal Government. No casual vacancy occurred in the Board during the current year.

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 have been taken by the BOM except for appointment and determination of remuneration and terms and conditions of employment of the MD which is the function of the Federal Government under section

Statement of Compliance
with the Code of Corporate Governance

6(4) of the Marketing of Petroleum Products (Federal Control) Act, 1974. Therefore, the requirement of the Code that Board should approve the appointment and remuneration of the CEO has not been considered applicable to the extent of overriding provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974 approved by the Federal Government.

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 BOM arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.

10. There has been no change in the positions of Company Secretary, Head of Internal Audit and Chief Financial Officer (CFO) 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.

15. The BOM has formed an audit committee. It comprises of 3 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. Related party transactions, with necessary justification for non arm's length transactions and pricing methods for transactions made on terms equivalent to those that prevail in the arm's length transactions were not placed before the audit committee and for approval of BOM as these are of recurring nature with no significant changein terms and conditions and already being in the knowledge of BOM.

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

Irfan K. Qureshi
Managing Director

Karachi: August 12, 2009

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 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

Further, Sub – Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Management for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required, but have not been able to ensure compliance of requirement to the extent of approval of related party transactions by the Board of Management and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 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 and transactions with related parties have not been placed before the audit committee and for approval of BOM, as more fully explained in the Statement of Compliance with the Code of Corporate Governance.

A. F. Ferguson & Co.
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi: August 12, 2009

Auditors' Report to the Members

for the year ended June 30, 2009

We have audited the annexed balance sheet of Pakistan State Oil Company Limited as at June 30, 2009 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, 2009 and of the loss, 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:

- note 11.2 to the financial statements. The Company considers the overdue balance of Rs. 8,766 million from a power generation company as good debts for the reasons given in the aforementioned note. Accordingly, no provision for impairment has been made thereagainst in the financial statements. The ultimate outcome of the matter cannot presently be determined;

- notes 14.1, 14.2 and 14.4 to the financial statements. The Company considers the aggregate amount of Rs. 5,415 million due from the Government of Pakistan as good debts for the reasons given in the aforementioned notes. The ultimate outcome of the matters cannot presently be determined; and

- 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.

The financial statements of the Company for the year ended June 30, 2008 were audited by A. F. Ferguson & Co., Chartered Accountants and Ford Rhodes Sidat Hyder& Co., Chartered Accountants who also had modified their report by an emphasis of matter paragraph on those financial statements, vide their report dated September 10, 2008, in respect of matters disclosed in notes 14.1, 14.4 and 24.1.2 to the annexed financial statements.

A. F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Imtiaz A. H. Laliwala

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Mohammad Mahmood Hussain

Karachi: August 12, 2009

Balance Sheet

as at June 30, 2009

	Note	2009	2008
		(Rupees in '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	6,987,025	7,460,549
Intangibles	4	68,872	105,502
Long-term investments	5	2,153,514	2,701,097
Long-term loans, advances and receivables	6	405,780	477,745
Long-term deposits and prepayments	7	83,655	79,098
Deferred tax	8	5,033,273	407,337
		14,732,119	11,231,328
Current Assets			
Stores, spare parts and loose tools	9	112,143	115,814
Stock-in-trade	10	40,698,209	62,360,067
Trade debts	11	80,509,830	33,904,728
Loans and advances	12	418,015	396,220
Deposits and short term prepayments	13	551,803	401,433
Other receivables	14	12,806,779	15,681,790
Taxation - net		709,627	-
Cash and bank balances	15	2,883,118	3,018,640
		138,689,524	115,878,692
Net Assets in Bangladesh	16	-	-
		153,421,643	**127,110,020**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,715,190	1,715,190
Reserves	18	19,155,595	29,249,864
		20,870,785	30,965,054
Non-Current Liabilities			
Long term deposits	19	854,718	834,598
Retirement and other service benefits	20	1,673,020	1,574,148
		2,527,738	2,408,746
Current Liabilities			
Trade and other payables	21	110,123,702	81,067,565
Provisions	22	688,512	726,116
Accrued interest / mark-up		556,380	217,928
Short term borrowings	23	18,654,526	10,997,908
Taxation - net		-	726,703
		130,023,120	93,736,220
		153,421,643	**127,110,020**
Contingencies and Commitments	24		

The annexed notes 1 to 41 form an integral part of these financial statements.

Irfan K. Qureshi
Managing Director

Sardar M. Yasin Malik
Chairman

Profit and Loss Account

for the year ended June 30, 2009

	Note	2009	2008
		(Rupees in '000)	
Sales - net of trade discounts and allowances amounting to Rs.130,068 thousand (2008: Rs. 84,231 thousand)		719,282,176	583,213,959
Less:			
- Sales tax		(97,386,723)	(74,249,472)
- Inland freight equalization margin		(9,199,864)	(13,685,954)
		(106,586,587)	(87,935,426)
Net sales		612,695,589	495,278,533
Cost of products sold	25	(609,685,478)	(465,254,907)
Gross profit		3,010,111	30,023,626
Other operating income	26	1,451,666	1,396,527
Operating costs			
Transportation costs	27	(513,673)	(337,886)
Distribution and marketing expenses	28	(3,960,953)	(3,278,203)
Administrative expenses	29	(1,151,793)	(1,147,137)
Depreciation	3.1	(1,141,698)	(1,119,137)
Amortisation	4	(52,615)	(47,689)
Other operating expenses	30	(3,994,389)	(3,352,969)
		(10,815,121)	(9,283,021)
Other income	31	776,686	313,860
(Loss)/profit from operations		(5,576,658)	22,450,992
Finance costs	32	(6,232,056)	(1,367,898)
		(11,808,714)	21,083,094
Share of profit of associates		451,850	294,318
(Loss)/profit before taxation		(11,356,864)	21,377,412
Taxation	33	4,658,329	(7,323,617)
(Loss)/profit for the year		(6,698,535)	14,053,795
		(Rupees)	
(Loss)/earnings per share - basic and diluted	34	(39.05)	81.94

The annexed notes 1 to 41 form an integral part of these financial statements.

Irfan K. Qureshi
Managing Director

Sardar M. Yasin Malik
Chairman

Cash Flow Statement

for the year ended June 30, 2009

	Note	2009	2008
		(Rupees in '000)	
CASH GENERATED FROM OPERATING ACTIVITIES			
Cash generated from operations	35	2,905,661	12,479,055
Long-term loans, advances and receivables		71,965	149,747
Long-term deposits and prepayments		(4,557)	(13,185)
Long-term deposits		20,120	66,290
Taxes paid		(1,403,937)	(6,672,612)
Finance costs paid		(5,893,604)	(1,281,931)
Payment against provisions		(37,604)	-
Retirement benefits paid		(486,598)	(610,949)
Net cash (used in)/generated from operating activities		(4,828,554)	4,116,415
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(678,172)	(593,314)
Purchases of intangibles		(15,985)	(26,979)
Proceeds from disposal of operating assets		20,167	57,189
Dividends received		671,101	390,178
Net cash used in investing activities		(2,889)	(172,926)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(Repayment of) short-term finances		3,472,487	(5,335,878)
Dividends paid		(2,960,697)	(4,380,252)
Net cash generated from/(used in) financing activities		511,790	(9,716,130)
Net decrease in cash and cash equivalents		(4,319,653)	(5,772,641)
Cash and cash equivalents at beginning of the year		(7,190,672)	(1,418,031)
Cash and cash equivalents at end of the year	36	(11,510,325)	(7,190,672)

The annexed notes 1 to 41 form an integral part of these financial statements.

Irfan K. Qureshi
Managing Director

Sardar M. Yasin Malik
Chairman

Statement of Changes in Equity

for the year ended June 30, 2009

	Share Capital	Capital Reserve	Unrealised gain/(loss) on revaluation of long term investments available for sale	Company's share of unrealised gain/(loss) on investments of associates	General Reserve	Unappropriated Prošt/ (Accumulated Loss)	Total
	(Rupees in '000)						
BALANCE AS AT JUNE 30, 2007	1,715,190	3,373	1,183,432	7,483	15,039,968	2,989,771	20,939,217
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)	-
Profit for the year	-	-	-	-	-	14,053,795	14,053,795
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	-	-	-	-	-	(857,595)	(857,595)
- 2nd interim dividend @ Rs. 6 per share	-	-	-	-	-	(1,029,114)	(1,029,114)
BALANCE AS AT JUNE 30, 2008	1,715,190	3,373	938,623	(2,248)	16,139,968	12,170,148	30,965,054
Final dividend for the year ended June 30, 2008 @ Rs. 12.5 per share	-	-	-	-	-	(2,143,986)	(2,143,986)
Transfer to general reserve	-	-	-	-	10,000,000	(10,000,000)	-
Loss for the year	-	-	-	-	-	(6,698,535)	(6,698,535)
Unrealised loss due to change in fair values of long-term investments	-	-	(387,965)	-	-	-	(387,965)
Unrealised loss due to change in fair values of investments of associates	-	-	-	(6,188)	-	-	(6,188)
1st interim dividend for the year ended June 30, 2009 @ Rs. 5 per share	-	-	-	-	(857,595)	-	(857,595)
BALANCE AS AT JUNE 30, 2009	1,715,190	3,373	550,658	(8,436)	25,282,373	(6,672,373)	20,870,785

The annexed notes 1 to 41 form an integral part of these financial statements.

Irfan K. Qureshi
Managing Director

Sardar M. Yasin Malik
Chairman

Notes to the Financial Statements

for the year ended June 30, 2009

(Amounts in Rupees '000)

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 listed on the 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 Board of Management nominated by the Federal Government under section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 (the Act) manages the affairs of the Company. The provisions of 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 (P.O. No.2 of 1972), or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Company.

1.3 The business operations of the six subsidiaries, namely 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, 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 the aforementioned subsidiaries and the related proceedings thereof were completed by the end of financial year 2006. Pending acknowledgement thereof by the Securities and Exchange Commission of Pakistan (SECP), the Company opted to file an application under the Easy Exit Scheme announced by circular No. 16 of 2007 dated December 5, 2007. To date, the names of the aforementioned subsidiaries have been removed from the register of companies except for Mohsin Lubricants (Private) Limited and Aremai Petroleum (Private) Limited. SECP vide its letter No. CLD/RD/CO.237(1)2007/7465 dated August 7, 2009 has however informed the Company that in respect of Mohsin Lubricants (Private) Limited the application has been accepted whereas the application for Aremai Petroleum (Private) Limited is in process and as such no exemption is required under section 237 of the Companies Ordinance, 1984. Accordingly, consolidated financial statements have not been attached with these financial statements.

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 the 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. 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. 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)

2.1.4 Standards and interpretations effective in 2008-09 and relevant:

- IFRS 7, 'Financial Instruments: Disclosures'. The SECP vide S.R.O 411 (I) / 2008 dated April 28, 2008 notified the adoption of IFRS 7'Financial Instruments: Disclosures'. IFRS 7 is mandatory for Company's accounting period beginning on or after the date of notification i.e. April 28, 2008. Application of IFRS 7 has only impacted the format and extent of disclosures presented in these financial statements, superseding disclosures under IAS 32.

- 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. Management has determined that the impact of this interpretation on these financial statements is not material.

- 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. This interpretation does not have any impact on these financial statements, as the Company has a funding deficit and is not subject to any minimum funding requirements.

2.1.5 Interpretation effective in 2008-09 but not relevant:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.

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

- IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current

Notes to the Financial Statements

for the year ended June 30, 2009

requirement to present balance sheets at the end of the current period and comparative period. The adoption of IAS 1 (Revised) will only impact the presentation of financial statements.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Company will apply the IAS 1 (Amendment) from July 1, 2009. There is no impact of this amendment on the Company's financial statements.

- IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Company will apply IAS 19 (Amendment) from July 1, 2009. The amendment has no material impact on the Company's financial statements.

- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company's accounting policy is in compliance with the IAS 23 (Amendment) and therefore, there will be no effect on the financial statements.

- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). The amendment is the part of the IASB's annual improvements project published in May 2008. Through this amendment, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing cost, if any, on qualifying assets from July 1, 2009.

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7,'Financial Instruments: Disclosures') (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Company will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from July 1, 2009.

- IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 36 (Amendment) and provide the required disclosures where applicable for impairment tests from July 1, 2009.

- IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment requires that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment is not expected to have a significant effect on the Company's financial statements.

- IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have any impact on the Company's financial statements, as all intangible assets are amortized using the straight-line method.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvement project published in May 2008. These amendments are unlikely to have an impact on the Company's financial statements and have therefore not been analysed in detail.

  The other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after January 1, 2009 which are not considered relevant nor have any significant effect on the Company's operations and financial statements have not been detailed in these 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 up to 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.

Notes to the Financial Statements

for the year ended June 30, 2009

(Amounts in Rupees '000)

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. 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 comprise trade debts, loans, advances, deposits, other receivable and cash and bank balances 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.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way 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 and other 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.

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

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 in line with the generally accepted accounting method 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. Trade debt and receivable are written off when considered irrecoverable.

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are added to their respective carrying amounts.

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 on the balance sheet.

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 Share capital

Ordinary shares are classified as equity and 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, 2009 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, 2009 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, 2009 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.

Notes to the Financial Statements

for the year ended June 30, 2009

(Amounts in Rupees '000)

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, 2009 using the "Projected Unit Credit Method". The amount recognised in the balance sheet represents the present value of defined benefit obligations.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date.

Exchange gains and losses arising in respect of borrowings in foreign currency are added in the carrying amount of the borrowing.

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 except to the extent it relates to items recognised directly in equity in which case it is also recognised in equity.

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:

-ÊÊ Sales are recorded when the significant risks and rewards of ownership of the goods have passed to the customers which coincide with the dispatcht of goods to customers.

Ê Dividend income on equity investment is recognised when the Company's right to receive the payment has been established.

-ÊÊÊHandling, storage and other services income and return on deposits is recognised on accrual basis.

2.20 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

2.21 Dividend and appropriation to reserves

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

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

3. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
Operating assets - note 3.1	6,288,524	6,641,909
Capital work in progress - note 3.3	698,501	818,640
	6,987,025	7,460,549

3.1 Operating assets

	Land		Building											
	Freehold (note 3.1.1)	Leasehold	On freehold land	On leasehold land	Leasehold improvements	Tanks and pipelines	Service and filling stations (note 3.1.2)	Plant and machinery	Furniture and fittings	Vehicles and other rolling stock	Office aequipment	Railway sidings	Gas cylinders / regulators	Total
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)	(1 10,351)	(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	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 July 1, 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
Year ended June 30, 2009														
Opening 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
Additions	-	-	7,763	47,387	-	60,401	380,516	149,205	6,947	97,304	42,159	-	-	791,682
Disposals														
Cost	-	-	-	-	-	-	(5,932)	(5,074)	(2,639)	(34,305)	(6,748)	-	(41)	(54,739)
Depreciation	-	-	-	-	-	-	4,402	5,058	2,632	32,590	6,680	-	8	51,370
	-	-	-	-	-	-	(1,530)	(16)	(7)	(1,715)	(68)	-	(33)	(3,369)
Depreciation charge	-	(1,917)	(27,162)	(47,280)	-	(114,878)	(649,906)	(188,490)	(15,788)	(42,091)	(51,016)	(1,667)	(1,503)	(1,141,698)
Closing net book value	209,882	70,910	189,221	625,024	-	460,508	3,325,612	1,088,935	47,431	138,344	115,978	5,575	11,104	6,288,524
As at June 30, 2009														
Cost	209,882	92,167	579,330	1,002,110	1,071	3,207,631	7,295,078	2,662,842	258,281	711,124	495,891	53,232	124,218	16,692,857
Accumulated depreciation	-	(21,257)	(390,109)	(377,086)	(1,071)	(2,747,123)	(3,969,466)	(1,573,907)	(210,850)	(572,780)	(379,913)	(47,657)	(113,1 14)	(10,404,333)
Net book value	209,882	70,910	189,221	625,024	-	460,508	3,325,612	1,088,935	47,431	138,344	115,978	5,575	11,104	6,288,524
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	

3.1.1 Subsequent to the year end, title of the free hold land for Faisalabad depot has been transferred in the name of the Company.

3.1.2 Service and filling stations include cost of Rs. 6,790,857 (2008: Rs. 6,383,149) 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 1,698 (2008: 1,592) out of the total 3,383 (2008: 3,568) 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 the Fourth Schedule to the Companies Ordinance, 1984.

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 buyers
Vehicles	843	281	562	562	Company policy	Col. Anwer Saeed Ex-employee
"	727	126	601	727	Company policy	Mr. A Sami Ex-employee
"	969	416	553	553	Company policy	Mr. M. Shahid Ex-employee
Service and filling stations	721	525	196	350	Tender	M/s Mashar Khan DEH, San Indus Highway , District Jamshoro, Dadu.
"	424	313	111	116	Tender	M/s Zohaib Faisalabad Canal Bank Road, Alhamar Town, Chak 199, Faisalabad.
"	424	313	111	116	Tender	M/s Nia Faisalabad Jhang Road, Naya Lahore, Faisalabad.
"	960	728	232	466	Tender	M/s Punjab Sarhad Layyah Chatta Oil Traders, Darya Khan, District Bhakkar .
"	1,245	739	506	1,311	Insurance claim	National Insurance Company Limited, N.I.C. Building, Abbasi Shaheed Road, Karachi.
Items having book value of less than Rs. 50 each	48,426	47,929	497	15,966		
	54,739	**51,370**	**3,369**	**20,167**		
2008	**62,805**	**36,860**	**25,945**	**57,189**		

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

3.3 Capital work in progress	2009	2008
Service and filling stations	205,883	232,112
Tanks and pipelines	154,784	140,062
Plant and machinery	81,418	63,440
Furniture, fittings and equipment	658	1,050
Advances to suppliers and contractors for tanks, pipelines and storage development projects	9,914	17,348
Capital stores	245,844	364,628
	698,501	818,640

4. INTANGIBLES - computer softwares

	2009	2008
Net carrying value		
Balance at beginning of the year	105,502	126,212
Additions at cost	15,985	26,979
Amortisation charge for the year - note 4.2	(52,615)	(47,689)
Balance at end of the year	68,872	105,502
Gross carrying value		
Cost	257,454	241,469
Accumulated amortisation	(188,582)	(135,967)
Net book value	68,872	105,502

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.

5. LONG-TERM INVESTMENTS

	2009	2008
Available-for-sale, in related parties		
In quoted company - at fair value		
- Pakistan Refinery Limited Equity held 18% (2008 : 18%)	565,756	953,721
In unquoted company - at cost		
- Pak-Arab Pipeline Company Limited Equity held 12% (2008 : 12%)	864,000	864,000
	1,429,756	1,817,721
Investments in associates - in unquoted companies - note 5.1		
- Asia Petroleum Limited Equity held 49% (2008 : 49%)	677,647	836,547
- Pak Grease Manufacturing Company (Private) Limited Equity held 22% (2008 : 22%)	46,111	46,829
	723,758	883,376
	2,153,514	2,701,097

5.1 Investment in associates

Number of shares 2009	Number of shares 2008	Face value per share (Rupees)	Name of the Company	2009	2008
46,058,600	46,058,600	10	Asia Petroleum Limited (APL)	677,647	836,547
686,192	686,192	10	Pak Grease Manufacturing Company (Private) Limited (PGMCL)	46,111	46,829
				723,758	883,376

Notes to the Financial Statements
for the year ended June 30, 2009

5.1.1 Movement of investments in associates

	2009	2008
Balance at beginning of the year	883,376	928,061
Share of profits		
- current year	451,584	294,267
- adjustment for last year profits based on audited financial statements	266	51
	451,850	294,318
Unrealised loss on investments of associates	(6,188)	(9,731)
Dividends received	(605,280)	(329,272)
Balance at end of the year	723,758	883,376

5.1.2 The summarised financial information of the associates over which the Company exercises significant influence, based on the unaudited financial statements for the year ended June 30, 2009, is as follows:

	2009 (Unaudited)		2008 (Audited)	
	APL	PGMCL	APL	PGMCL
Total assets	2,164,506	235,978	2,487,815	229,658
Total liabilities	781,555	26,381	780,579	15,828
Revenues	1,573,002	195,936	1,089,228	161,944
Profit after tax	897,677	53,286	560,278	90,689

(Amounts in Rupees '000)

6. LONG-TERM LOANS, ADVANCES AND RECEIVABLES

	2009	2008
Loans - considered good		
Executives - notes 6.1, 6.2 and 6.4	42,811	31,877
Employees - note 6.2	113,144	139,857
	155,955	171,734
Less: Current portion shown under current assets - note 12	(50,670)	(48,582)
	105,285	123,152
Advances - considered good		
Employees - note 6.3	470	758
Less: Current portion shown under current assets - note 12	-	(288)
	470	470
Receivables		
Due from Karachi Electric Supply Corporation (KESC) - considered good - note 6.5	326,563	457,188
Less: Current portion shown under current assets - note 14	(130,625)	(130,625)
	195,938	326,563
Others		
- considered good	104,087	27,560
- considered doubtful	8,143	8,143
	112,230	35,703
Less: Provision for impairment - note 6.7	(8,143)	(8,143)
	104,087	27,560
	405,780	477,745

6.1 Reconciliation of carrying amount of loans to executives:

	2009	2008
Balance at beginning of the year	31,877	31,071
Add: Disbursements / Transfers	29,159	7,140
Less: Repayments / Amortisation	(18,225)	(6,334)
Balance at end of the year	42,811	31,877

Notes to the Financial Statements
for the year ended June 30, 2009

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. 45,776 (2008: Rs. 41,955).

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 from KESC 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.

6.6 As at June 30, 2009, balances aggregating to Rs. 8,143 (2008: Rs. 8,143) were impaired and provided for. The ageing of these balances is as under:

	2009	2008
More than 6 months	8,143	8,143

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

	2009	2008
Balance at beginning of the year	8,143	7,663
Add: Provided during the year - note 30	-	480
Balance at end of the year	8,143	8,143

(Amounts in Rupees '000)

7. LONG-TERM DEPOSITS AND PREPAYMENTS
- Considered good

	2009	2008
Long-term deposits	53,189	53,071
Prepaid rentals	50,507	58,309
Less: Current portion shown under current assets - note 13	20,041	32,282
	30,466	26,027
	83,655	79,098

8. DEFERRED TAX

	2009	2008
Debit balance arising in respect of:		
Provision for:		
- retirement benefits	314,299	321,443
- doubtful trade debts	836,088	669,017
- doubtful receivables	271,746	278,023
- impairment of stores and spare parts	8,535	7,700
- excise, taxes and other duties	25,492	25,492
- impairment of stocks-in-trade	7,510	7,510
Unutilised tax losses - note 8.1	4,376,390	-
Others	65,157	46,260
	5,905,217	1,355,445
Credit balance arising in respect of accelerated tax depreciation, amortisation and investments in associates	(871,944)	(948,108)
	5,033,273	407,337

8.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that realization of the related tax benefits through future taxable profits is probable. The aggregate tax losses available for carry-forward at June 30, 2009 amount to Rs. 12,503,974 (2008: Nil), on which deferred income tax asset has been recognized.

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

9. STORES, SPARE PARTS AND LOOSE TOOLS

	2009	2008
Stores	128,336	129,545
Spare parts and loose tools	8,192	8,269
	136,528	137,814
Less: Provision for impairment - note 9.1	(24,385)	(22,000)
	112,143	115,814

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

	2009	2008
Balance at beginning of the year	22,000	14,000
Add: Charged during the year and recognised in other operating expenses - note 30	2,385	8,000
Balance at end of the year	24,385	22,000

10. STOCK-IN-TRADE

	2009	2008
Petroleum and other products (gross) - note 10.1 and 10.2	29,253,203	37,449,353
Less: Stock held on behalf of third parties - note 10.3	(644,732)	(1,136,489)
	28,608,471	36,312,864
Less: Provision for slow moving products - lubricants	(21,456)	(21,456)
	28,587,015	36,291,408
In pipeline system of Pak-Arab Pipeline Company Limited and Pak-Arab Refinery Limited	10,227,321	24,985,922
	38,814,336	61,277,330
Add: Charges incurred thereon	1,883,873	1,082,737
	40,698,209	62,360,067

10.1 Includes stock-in-transit amounting to Rs. 13,396,164 (2008: Rs. 13,196,605) and stocks held by:

	2009	2008
Pakistan Refinery Limited - related party	107,529	240,143
Shell Pakistan Limited	97,871	289,036
Bosicor Pakistan Limited	5,236	114,942
	210,636	644,121

10.2 Includes stock valued at net realisable value amounting to Rs. 252,036 (2008: Rs. 240,143).

10.3 Represents stocks held in trust on behalf of third parties, net of storage, handling and other charges amounting to Rs. 23,730 (2008: Rs. 23,730) recoverable thereagainst.

11. TRADE DEBTS

	2009	2008
Considered good		
- Due from Government agencies and autonomous bodies		
- Secured - note 11.1	16,050,990	13,252,685
- Unsecured	7,460,813	4,014,061
	23,511,803	17,266,746
- Due from other customers		
- Secured - notes 11.1 and 11.2	6,008,823	7,501,107
- Unsecured - note 11.2	50,989,204	9,136,875
	56,998,027	16,637,982
	80,509,830	33,904,728
Considered doubtful	2,388,823	1,911,478
	82,898,653	35,816,206
Less: Provision for impairment - notes 11.4 and 11.5	(2,388,823)	(1,911,478)
	80,509,830	33,904,728

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

11.1 These debts are secured by way of letters of credit and bank guarantees.

11.2 The receivable from Hub Power Company Limited (HUBCO) as at June 30, 2009 aggregated to Rs. 34,950,248 (2008: Rs. 10,488,378), which includes overdue amounts of Rs. 17,963,673 (2008: Nil), out of which Rs. 9,197,680 has been received subsequent to year end. The Company does not consider the balance receivable of Rs. 8,765,993 as doubtful, as this has been largely accumulated due to existing circular debt situation. The Company, based on measures being undertaken by the Government of Pakistan (GoP) in this regard is confident of realizing the entire aforementioned receivables in due course. Accordingly, the Company while estimating the provision for impairment on the basis of overdue analysis has not considered the aforementioned receivable balance of HUBCO, which would have increased the provision by Rs. 876,599 as at June 30, 2009.

11.3 As at June 30, 2009, trade debts aggregating to Rs. 10,306,331 (2008: Rs. 1,449,678) were past due but not impaired. These relate to various customers including Independent Power Projects (IPPs) and Government agencies and autonomous bodies for which there is no or some recent history of default, however, no losses. These trade debts are outstanding for 3 to 6 months.

11.4 As at June 30, 2009, trade debts aggregating Rs. 4,487,071 (2008: Rs. 2,181,581) were deemed to have been impaired, of which Rs. 2,388,823 (2008: Rs. 1,911,478) were considered doubtful and provided for. The individually impaired debts relate to various customers including Government agencies and autonomous bodies which are facing difficult economic situations. The ageing of these trade debts is as follows:

	2009	2008
3 to 6 months	76,048	55,862
More than 6 months	4,411,023	2,125,719
	4,487,071	2,181,581

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

	2009	2008
Balance at beginning of the year	1,911,478	1,752,798
Add: Charged during the year and recognised in other operating expenses - note 30	477,345	158,680
Balance at end of the year	2,388,823	1,911,478

11.6 Amounts due from related parties, included in trade debts, are as follows:

	2009	2008
Oil & Gas Development Corporation Limited	400,668	355,630
Pakistan International Airlines Corporation	2,679,252	3,009,550
National Logistic Cell	269,284	203,514
Pakistan Steel Mills Corporation Limited	62,081	58,726
Water and Power Development Authority	19,946,952	13,541,430
Pakistan Railways	570,898	733,811
Heavy Industries Taxila	27,515	21,751
Director General Industrial Procurement and Services	98,495	107,619
	24,055,145	18,032,031

12. LOANS AND ADVANCES - Unsecured, considered good

	2009	2008
Loans to executives and employees		
- Current portion of long-term loans Including Rs. 14,505 (2008: Rs. 9,089) to executives - note 6	50,670	48,582
- Short term loans	3,147	6,959
	53,817	55,541
Current portion of long-term advances to employees - note 6	-	288
Advances to suppliers - note 12.1	116,987	116,835
Advances for Company owned filling stations	247,211	223,556
	418,015	396,220

12.1 Includes Rs. 3,155 (2008: Nil) to Pakistan Refinery Limited, a related party, against purchase of LPG.

13. DEPOSITS AND SHORT TERM PREPAYMENTS

	2009	2008
Deposits		
Duty and development surcharge	480,578	195,455
Prepayments		
Rentals and others	51,184	173,696
Current portion of long-term prepaid rentals - note 7	20,041	32,282
	71,225	205,978
	551,803	401,433

Notes to the Financial Statements

for the year ended June 30, 2009

(Amounts in Rupees '000)

14. OTHER RECEIVABLES - Unsecured

	2009	2008
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
- on imports (net of related liabilities) of motor gasoline - note 14.2	1,043,967	-
- Others - note 14.3	4,825,241	8,425,326
- Water and Power Development Authority (WAPDA) receivables - note 14.4	3,407,357	3,407,357
- Freight equalization (net of recoveries)	46,521	46,521
	10,788,492	13,344,610
Excise, Petroleum Development Levy (PDL) and custom duty	267,718	200,784
Sales tax refundable	729,946	2,022,376
	11,786,156	15,567,770
Less: Provision for impairment - note 14.7		
- Price differential claims on imports note 14.7 and 14.1	(501,730)	(501,730)
- Others	(83,112)	(83,112)
	(584,842)	(584,842)
	11,201,314	14,982,928
Current portion of long-term receivable from KESC - note 6	130,625	130,625
Handling and hospitality charges	115,286	124,800
Product claims - insurance and others - considered doubtful	99,745	101,987
Less: Provision for impairment - note 14.7	(99,745)	(101,987)
	-	-
Railway claims - considered doubtful	-	14,225
Less: Provision for impairment - note 14.7	-	(14,225)
	-	-
Receivable from oil marketing companies	445,167	-
Others		
- considered good - note 14.5	914,387	443,437
- considered doubtful	91,829	93,296
	1,006,216	536,733
Less: Provision for impairment - note 14.7	(91,829)	(93,296)
	914,387	443,437
	12,806,779	15,681,790

14.1 Import price differential aggregating to Rs. 1,465,406 (2008: Rs. 1,465,406).

In 2002, under an arrangement with the Ministry of Petroleum and Natural Resources (MoP & NR), 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), GoP 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 carries a provision of Rs. 501,730 (2008: Rs. 501,730) against the balance due as at June 30, 2009.

14.2 Import price differential on motor gasoline aggregating to Rs. 1,043,967 (2008: Nil)

These represent price differential claims on account of import of motor gasoline by the Company, being the difference between their landed costs and the ex-refinery prices announced by Oil and Gas Regulatory Authority (OGRA). In 2007, the Company as well as other oil marketing companies were asked in the meeting chaired by Director General Oil to import motor gasoline to meet the increasing local demand. Accordingly, oil marketing companies approached the MoP & NR - GoP with a proposal for pricing mechanism whereby end consumer price of motor gasoline was proposed to be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Although no response was received from the MoP & NR - GoP, the Company alongwith another oil marketing company continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline, will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoP & NR - GoP's instruction.

During the year, the Oil Companies Advisory Committee (OCAC) has approached the MoP & NR through its letter Imports/495 dated May 11, 2009 requesting an expeditious settlement of these claims. Further, the Company along with other affected oil marketing companies have also approached MoP & NR through letter dated July 23, 2009 requesting for an early settlement of these claims. Pending related notification by MoP & NR and settlement thereof the Company along with other oil marketing companies and OCAC continues to follow up this matter with MoP & NR and is confident to recover this amount in full.

14.3 Price Differential Claims (PDC) aggregating to Rs. 4,825,241 (2008: Rs. 8,425,326).

These claims have arisen on the instructions of MoP & NR and GoP for keeping the consumer prices of certain POL products stable. During the year the Company filed additional claims of Rs. 35,778,944 (2008: Rs. 105,482,206) whereas the amount recovered amounted to Rs. 39,108,000 (2008: Rs. 106,012,448). Further, during the year an adjustment has been made to reduce the claims by Rs. 271,029 (2008: Nil).

Notes to the Financial Statements
for the year ended June 30, 2009

14.4 Price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) aggregating Rs. 3,407,357 (2008: 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, referred in note 14.1, 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.111/2005-385 dated March 3, 2007 intimated that the 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 for financial year 2007-2008. The Company through its letter dated May 20, 2008 requested the GoP to arrange the payment of the agreed amount before the end of the budget year 2007-2008, to which GoP did not respond. During the year, the Company has again requested GoP through letters dated September 29, 2008 and April 22, 2009 for an early settlement. The Company, however, considers that the above amount will be recovered in full in due course of time.

14.5 Includes Rs. 8,901 (2008: Rs. 5,931) from Asia Petroleum Limited, a related party, on account of facilities charges.

14.6 As at June 30, 2009 receivables aggregating Rs. 9,647,471 (2008: Rs. 3,844,861) were past due but not impaired. The ageing of these receivables is as follows:

	2009	2008
Upto 3 months	752,234	97,195
3 to 6 months	281,403	817
More than 6 months	8,613,834	3,746,849
	9,647,471	3,844,861

(Amounts in Rupees '000)

14.7 As at June 30, 2009 receivables aggregating to Rs. 1,703,501 (2008: Rs. 1,721,435) were deemed to be impaired, being outstanding for more than six months, and hence provision made thereagainst amounted to Rs. 776,416 (2008: Rs. 794,350).

The movement in provision for impairment is as follows:	2009	2008
Balance at beginning of the year	794,350	777,216
Add: Charged during the year and recognised in other operating expenses - note 30	-	17,134
Less: Reversal during the year and recognised in other income - note 31	(17,934)	-
Balance at end of the year	776,416	794,350

15. CASH AND BANK BALANCES

	2009	2008
Cash in hand	7,577	6,556
Cash at bank on:		
- current accounts - note 15.1	2,518,097	2,962,254
- deposit accounts	357,444	49,830
	2,875,541	3,012,084
	2,883,118	3,018,640

15.1 Includes Rs. 761,083 (2008: Rs. 791,913) kept in a separate bank account in respect of security deposits received from the customers.

Notes to the Financial Statements

for the year ended June 30, 2009

(Amounts in Rupees '000)

16. NET ASSETS IN BANGLADESH

	2009	2008
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.

17. SHARE CAPITAL

2009	2008		2009	2008
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

	2009	2008
Capital reserve - note 18.1	3,373	3,373
Unrealised gain on revaluation of long term investments available for sale	550,658	938,623
Company's share of unrealised loss on investments of associates	(8,436)	(2,248)
Revenue reserve		
- General	25,282,373	16,139,968
- (Accumulated loss)/Unappropriated profit	(6,672,373)	12,170,148
	18,610,000	28,310,116
	19,155,595	29,249,864

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

	2009	2008
Dealers	404,460	388,371
Equipment - note 19.1	170,763	165,747
Cartage contractors - note 19.2	279,495	280,480
	854,718	834,598

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 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.

20. RETIREMENT AND OTHER SERVICE BENEFITS

	2009	2008
Gratuity - note 20.1	605,815	672,838
Pension - note 20.1	169,208	127,214
Medical benefits - note 20.1	741,483	657,475
Compensated absences	156,514	116,621
	1,673,020	1,574,148

Notes to the Financial Statements

for the year ended June 30, 2009

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

	Gratuity fund		Pension funds		Medical benefits	
	2009	2008	2009	2008	2009	2008
20.1.1 Reconciliation of obligations as at year end						
Present value of defined benefit obligations	1,733,699	1,327,265	3,357,693	2,823,151	946,408	782,049
Fair value of plan assets	(584,996)	(323,600)	(2,374,013)	(2,317,725)	-	-
	1,148,703	1,003,665	983,680	505,426	946,408	782,049
Unrecognised actuarial loss	(542,888)	(330,827)	(776,862)	(334,517)	(204,925)	(124,574)
Unrecognised past service cost	-	-	(37,610)	(43,695)	-	-
Net liability at end of the year	605,815	672,838	169,208	127,214	741,483	657,475
20.1.2 Movement in liability						
Net liability at beginning of the year	672,838	753,948	127,214	202,640	657,475	589,763
Charge for the year	232,977	218,890	166,742	181,575	119,947	97,081
Contributions	(300,000)	(300,000)	(124,748)	(257,001)	-	-
Benefits paid during the year	-	-	-	-	(35,939)	(29,369)
Net liability at end of the year	605,815	672,838	169,208	127,214	741,483	657,475
20.1.3 Movement in defined benefit obligations						
Present value of defined benefit obligations at beginning of the year	1,327,265	1,248,411	2,823,151	2,584,891	782,049	717,073
Service cost	97,925	84,997	95,553	96,050	22,961	21,506
Interest cost	161,098	124,537	337,876	258,495	93,674	71,603
Benefits paid during the year	(51,501)	(88,529)	(121,248)	(106,712)	(35,939)	(29,369)
Actuarial (gain)/loss	198,912	(42,151)	222,361	(9,573)	83,663	1,236
Present value of defined benefit obligation at end of the year	1,733,699	1,327,265	3,357,693	2,823,151	946,408	782,049

(Amounts in Rupees '000)

20.1.4 Movement in fair value of plan assets

	Gratuity fund		Pension funds		Medical benefits	
	2009	2008	2009	2008	2009	2008
Fair value of plan assets at beginning of the year	323,600	103,125	2,317,725	1,910,908	-	-
Expected return on plan assets	39,253	8,410	289,419	201,249	-	-
Contributions made by the Company	300,000	300,000	124,748	257,001	-	-
Benefits paid during the year	(51,501)	(88,529)	(121,248)	(106,712)	-	-
Actuarial gain/(loss)	(26,356)	594	(236,631)	55,279	-	-
Fair value of plan assets at end of the year	584,996	323,600	2,374,013	2,317,725	-	-

20.1.5 The principal assumptions used in the actuarial valuations carried out as of June 30, 2009, using the 'Projected Unit Credit' method, are as follows:

	Gratuity fund		Pension funds		Medical benefits		Compensated absences	
	2009	2008	2009	2008	2009	2008	2009	2008
Discount rate	12.50%	12.00%	12.50%	12.00%	12.50%	12.00%	12.50%	12.00%
Expected per annum rate of return on plan assets	12.50%	12.50%	12.50%	12.50%	-	-	-	-
Expected per annum rate of increase in future salaries	12.00%	12.00%	12.00%	12.00%	-	-	12.00%	12.00%
Future per annum rate of increase in medical costs	-	-	-	-	9.00%	9.00%	-	-
Indexation of pension	-	-	6.00%	6.00%	-	-	-	-
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

	Gratuity fund 2009	Gratuity fund 2008	Pension funds 2009	Pension funds 2008
Actual return on plan assets	13,206	9,004	63,617	256,528

Notes to the Financial Statements
for the year ended June 30, 2009

20.1.7 Plan assets comprises of the following:

	2009		2008	
	Amount	%age	Amount	%age
Equity	40,611	1%	79,309	3%
Debts	1,604,146	54%	1,527,182	58%
Others	1,314,252	45%	1,034,834	39%
	2,959,009		2,641,325	

20.1.8 Plan assets include the Company's ordinary shares with a fair value of Rs. 40,611 (2008: Rs. 79,309).

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, 2010 are Rs. 441,784 (2009: Rs. 405,840)

20.1.11 Comparison for šve years:

	2009	2008	2007	2006	2005
Present value of dešned benešt obligation	(6,037,800)	(4,932,465)	(4,550,375)	(3,812,320)	(3,126,857)
Fair value of plan assets	2,959,009	2,641,325	2,014,033	1,688,375	1,119,979
Dešcit	(3,078,791)	(2,291,140)	(2,536,342)	(2,123,945)	(2,006,878)
Experience adjustments:					
Loss/(gain) on plan liabilities	198,912	(50,488)	232,294	289,839	151,143
(Loss)/gain on plan assets	(262,987)	55,873	43,964	71,785	64,264

(Amounts in Rupees '000)

21. TRADE AND OTHER PAYABLES

	2009	2008
Creditors for :		
Purchase of oil		
- local - note 21.1	63,981,349	26,733,422
- foreign	32,626,897	42,608,773
	96,608,246	69,342,195
Others	402,071	324,999
	97,010,317	69,667,194
Accrued liabilities - note 21.2	7,114,995	2,547,374
Inland Freight Equalisation Margin Mechanism (IFEM)	1,163,092	233,176
Due to oil marketing companies and rešneries	586,537	1,569,888
Advances		
- from customers	1,621,955	2,277,375
- against equipment	18,146	20,201
	1,640,101	2,297,576
Taxes and other government dues		
- Excise, taxes and other duties	1,491,561	2,019,967
- Octroi	31,452	31,452
- Income tax deducted at source	44,107	71,132
	1,567,120	2,122,551
Workers' Prošts Participation Fund - note 21.3	-	1,132,598
Workers' Welfare Fund	-	436,276
Short term deposits - interest free	351,482	362,195
Dividends	644,357	603,473
Others	45,701	95,264
	110,123,702	81,067,565

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

21.1 Includes Rs. 10,432,338 (2008: Rs. 2,106,487) payable to Pakistan Refinery Limited, a related party.

21.2 Includes following amounts due to related parties in respect of pipeline charges:

	2009	2008
Pak-Arab Pipeline Company Limited	59,633	180,018
Asia Petroleum Limited	-	68,681
	59,633	248,699

21.3 Workers' Profits Participation Fund

	2009	2008
Balance at beginning of the year	1,132,598	364,816
Add: Allocation for the year - note 30	-	1,132,598
	1,132,598	1,497,414
Less: Payments during the year	(1,132,598)	(364,816)
Balance at end of the year	-	1,132,598

22. PROVISIONS

	2009	2008
Balance at beginning of the year	726,116	688,512
Add: Recognised during the year - note 30	-	37,604
	726,116	726,116
Less: Payments thereagainst	(37,604)	-
Balance at end of the year	688,512	726,116

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

	2009	2008
Short-term finances - notes 23.1 and 23.2	4,261,083	788,596
Finances under mark-up arrangements - notes 23.1 and 23.3	14,393,443	10,209,312
	18,654,526	10,997,908

23.1 The total outstanding balance is against the facilities aggregating Rs. 29,021,100 (2008: Rs. 22,910,000) available from various banks. These facilities are payable on various dates by November 19, 2011 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 ranges from Re. 0.03 to Re. 0.40 (2008: Re. 0.03) per Rs. 1,000 per day.

23.3 The rate of mark up for these facilities ranges from Re. 0.41 to Re. 0.45 (2008: Re. 0.34 to Re. 0.38) per Rs. 1,000 per day, net of prompt payment rebates. These facilities are renewable subject to payment of repurchase price on specified dates.

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. 5,303,257 (2008: Rs. 1,596,700), 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 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 High Court of Sindh against the aforesaid decision of the ITAT, which was adjudicated against the Company. The Company filed 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 also suspending the operation of the impugned judgment of the High Court of Sindh.

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

The management of the Company maintains that the Company was merely acting as a handling agent on behalf of GoP, which 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 is now contesting 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 During the year, the Company received demands for tax years 2004 to 2008, from the taxation authorities aggregating to Rs. 823,227 in respect of tax not withheld on incentives paid to dealers operating retail outlets. As per the taxation authorities, such payments were in the nature of prizes on sales promotion to dealers and hence subject to withholding of tax @ 20% under section 156 of the Income Tax Ordinance (ITO), 2001. The Company based on the advice of its tax consultant, has paid an amount of Rs. 321,993 thereagainst under the 'Tax Arrears Settlement Incentive Scheme (TASIS) 2008', while treating the same as recoverable from dealers, on the contention that incentives to dealers attract tax @ 10% under section 156 A of the ITO, 2001. Therefore, the Company has filed an appeal against the demands being under section 156 of the ITO, 2001, with the Commissioner of Income Tax (CIT) (Appeals) and also a petition in the High Court of Sindh for the stay thereof. The High Court of Sindh in its order, dated January 13, 2009 granted the stay to the Company with directions to deposit Rs. 200,000 in addition to payment of Rs. 321,993 earlier made by the Company, with the taxation authorities against such demands. Further, the High Court of Sindh directed CIT (Appeals) to hear the appeal on January 20, 2009 and pass an order within 20 days of hearing of the appeal. The CIT (Appeals) passed an order on February 13, 2009 against the Company. The Income Tax Appellate Tribunal (ITAT), subsequent to the balance sheet date, on the appeal filed against CIT (Appeals) order, has set aside and remanded the case to taxation officer for fresh consideration. The Company based on the merits of the case and on advice of its tax consultant is confident that the matter will ultimately be decided in its favour and therefore no provision has been made for the differential amount.

Further, the Company intends to recover the entire aforementioned tax of Rs. 321,993 from the dealers, included in other receivables (note 14), and as such has not been charged off in these financial statements.

24.1.5 The Government of Sindh through Sindh Finance Act, 1994 provided for imposition of an infrastructure fee for development and maintenance of infrastructure on the goods entering or leaving the Province through air or sea at prescribed rates. The levy was challenged by the Company alongwith other companies in the High Court of Sindh through civil suits which were dismissed by the single judge of the High Court of Sindh through its decision in October 2003. On appeal filed thereagainst, the High Court of Sindh has held through an order passed in September 2008 that the levy as imposed through Sindh Finance Act, 1994 and amended time to time was not valid till December 28, 2006, however, thereafter on account of an amendment in the Sindh Finance (Amendment) Ordinance, 2006, it had become valid and is payable by the Appellants. The Company, alongwith other companies, has now filed an appeal in the Supreme Court of Pakistan against the aforementioned order of the High Court of Sindh. The management believes that the matter will ultimately be decided in the Company's favour. Further, the amount of possible obligation, if any, cannot be determined with sufficient reliability.

24.1.6 The Company, under directives of MoF and MoP & NR, have arranged borrowings from certain banks aggregating US Dollars 100,000 thousand as at June 30, 2009 (June 30, 2008: US Dollars 100,000 thousand). Repayment of principal amount, financing and all other related costs, directly to these banks, are the responsibility of MoF – GoP. As at June 30, 2009, the outstanding loan including mark-up amounts to US Dollars 101,005 thousand.

24.2 Commitments

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

	2009	2008
- Property, plant and equipment	384,741	476,246
- Intangibles	49,887	7,043
	434,628	483,289

24.2.2 Letters of credit and bank guarantees outstanding as at June 30, 2009 amounts to Rs. 3,731,075 (2008: Rs. 17,625,873).

Notes to the Financial Statements

for the year ended June 30, 2009

(Amounts in Rupees '000)

25. COST OF PRODUCTS SOLD

	2009	2008
Opening stock		
Cost	61,298,786	28,564,895
Charges thereon	1,082,737	1,018,616
	62,381,523	29,583,511
Add: Purchases during the year		
Cost	526,558,634	494,132,216
Charges thereon	61,464,986	3,920,703
	588,023,620	498,052,919
Cost of products available for sale	650,405,143	527,636,430
Less: Closing stock		
Cost	(38,835,792)	(61,298,786)
Charges thereon	(1,883,873)	(1,082,737)
	(40,719,665)	(62,381,523)
	609,685,478	465,254,907

26. OTHER OPERATING INCOME

	2009	2008
Commission and handling services	384,751	281,898
Income from CNG operations	385,863	345,738
Income from retail outlets - net	26,948	26,532
Handling, storage and other recoveries	609,952	707,824
Income from non fuel retail business	44,152	34,535
	1,451,666	1,396,527

27. TRANSPORTATION COSTS

	2009	2008
Cost incurred during the year	9,482,779	8,219,929
Realised against IFEM	(9,199,864)	(13,685,954)
Less: Refinery share	835,398	5,998,784
	(8,364,466)	(7,687,170)
Receivable from other oil marketing companies / adjustments	(604,640)	(194,873)
	(8,969,106)	(7,882,043)
	513,673	337,886

28. DISTRIBUTION AND MARKETING EXPENSES

	2009	2008
Salaries, wages and benefits - note 29.1	2,070,788	1,672,477
Security and other services	49,317	48,234
Rent, rates and taxes	381,626	274,614
Repairs and maintenance	596,548	548,540
Insurance	127,893	73,907
Travelling and office transport	105,234	89,824
Printing and stationery	19,364	15,676
Communication	21,785	20,335
Utilities	123,989	104,029
Storage and technical services	79,335	71,395
Sales promotion and advertisement	310,861	285,152
Cards related costs	70,352	70,425
Others	3,861	3,595
	3,960,953	3,278,203

Notes to the Financial Statements

for the year ended June 30, 2009

(Amounts in Rupees '000)

29. ADMINISTRATIVE EXPENSES

	2009	2008
Salaries, wages and benešts - note 29.1	801,145	765,027
Security and other services	14,442	11,675
Rent, rates and taxes	4,952	6,097
Repairs and maintenance	58,988	68,055
Insurance	67,479	63,485
Travelling and ofšce transport	32,689	27,093
Printing and stationery	14,609	9,778
Communication	22,187	30,722
Utilities	27,858	18,803
Storage and technical services	15,614	12,882
Legal and professional	20,986	16,848
Auditors' remuneration - note 29.4	10,094	11,889
Contribution towards expenses of Board of Management - Oil	4,030	4,550
Donations - note 29.5	49,826	98,162
Fee and subscription	6,894	2,071
	1,151,793	1,147,137

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

	2009				2008
	Gratuity fund	Pension funds	Medical benešts	Total	
Service cost	97,925	95,553	22,961	216,439	202,553
Interest cost	161,098	337,876	93,674	592,648	454,635
Expected return on plan assets	(39,253)	(289,419)	-	(328,672)	(209,659)
Recognition of actuarial loss	13,207	16,647	3,312	33,166	43,932
Recognition of past service cost	-	6,085	-	6,085	6,085
	232,977	166,742	119,947	519,666	497,546

In addition, salaries, wages and benefits also include Rs. 51,736 (2008: Rs. 40,104) and Rs. 65,804 (2008: Rs. 43,488) 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:

	2009		2008	
	Increase	Decrease	Increase	Decrease
Effect on the aggregate of current service cost and interest cost	29,233	18,921	18,872	14,329
Effect on the dešned benešt obligation for medical benešts	181,140	119,228	140,700	110,850

29.3 Remuneration of Managing Director and Executives

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

	2009		2008	
	Managing Director	Executives	Managing Director	Executives
Managerial remuneration including performance bonus	11,510	364,861	10,783	259,832
Retirement benefits	215	18,167	92	12,804
Housing and utilities	3,152	122,465	2,301	87,115
Leave fare	1,102	27,516	1,450	20,101
	15,979	533,009	14,626	379,852
Number, including those who worked part of the year	3	265	2	184

29.3.2 The amount charged in respect of fee to 8 non-executive directors aggregated to Rs. 975 (2008: Rs. 518).

29.3.3 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.

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

29.4 **Auditors' remuneration**

	2009			2008		
	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.	Total	A. F. Ferguson & Co.	Ford Rhodes Sidat Hyder & Co.	Total
Fee for the:						
- audit of annual financial statements	2,420	2,420	4,840	2,200	2,200	4,400
- review of half yearly financial statements	880	880	1,760	800	800	1,600
Tax services	1,170	-	1,170	1,483	-	1,483
Certification of claims, audit of retirement funds and other advisory services	777	165	942	2,772	652	3,424
Out of pocket expenses	958	424	1,382	504	478	982
	6,205	3,889	10,094	7,759	4,130	11,889

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

30. OTHER OPERATING EXPENSES

	2009	2008
Workers' Profits Participation Fund - note 21.3	-	1,132,598
Workers' Welfare Fund	-	436,276
Exchange loss - net	3,508,030	1,558,947
Claims and other receivables written-off	-	1,467
Write-off against storage development projects	-	1,783
Capital stores written-off	6,629	-
Provision against		
- doubtful trade debts - note 11.5	477,345	158,680
- stores and spares - note 9.1	2,385	8,000
- disputed demands for custom duty, excise and petroleum development levy - note 22	-	37,604
- long term receivables - note 6.7	-	480
- other receivables - note 14.7	-	17,134
	3,994,389	3,352,969

31. OTHER INCOME

	2009	2008
Profit on disposal of operating assets	16,798	31,244
Dividends - note 31.1	65,821	60,906
Interest and markup on bank deposits	126,862	16,214
Mark-up and delayed payment charges - note 31.2	445,065	-
Liabilities written back	31,026	113,129
Reversal of provision for impairment - note 14.7	17,934	-
Penalties and other recoveries	57,637	84,231
Scrap sales	7,530	2,403
Others	8,013	5,733
	776,686	313,860

31.1 Represents dividends from following related parties:

	2009	2008
Pakistan Refinery Limited	9,000	17,982
Pak-Arab Pipeline Company Limited	56,821	42,924
	65,821	60,906

31.2 This represents mark-up on account of delayed payments by the customers recognised on realisation.

32. FINANCE COSTS

	2009	2008
Mark-up on short-term borrowings	2,953,427	745,502
Bank and other charges	3,278,629	622,396
	6,232,056	1,367,898

33. TAXATION

	2009	2008
Current		
- for the year	201,536	7,392,666
- for prior years	(233,929)	(62,749)
Deferred - for the year	(4,625,936)	(6,300)
	(4,658,329)	7,323,617

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

33.1 Relationship between accounting (loss)/profit and tax expense

	2009	2008
Accounting (loss)/profit before taxation	(11,356,864)	21,377,412
Tax at the applicable tax rate of 35% (2008: 35%)	(3,974,902)	7,482,094
Tax effect of:		
- Lower rate applicable to certain income including share of associates	(449,498)	(95,728)
- Adjustments relating to prior years	(233,929)	(62,749)
	(4,658,329)	7,323,617

34. (LOSS)/EARNINGS PER SHARE

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

	2009	2008
(Loss)/profit for the year	(6,698,535)	14,053,795
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	171,518,901	171,518,901
	(Rupees)	
(Loss)/earnings per share - basic and diluted	(39.05)	81.94

35. CASH GENERATED FROM OPERATIONS

	2009	2008
(Loss)/Profit before taxation	(11,356,864)	21,377,412
Adjustments for non-cash charges and other items:		
Depreciation	1,141,698	1,119,137
Amortisation	52,615	47,689
Provision against:		
- doubtful trade debts	477,345	158,680
- stores and spare parts	2,385	8,000
- disputed demands for custom duty, excise and petroleum development levy	-	37,604
- short term receivables - others	-	17,134
- long term receivable	-	480
Claims and other receivable written-off	-	1,467
Capital stores written-off	6,629	-
Liabilities written back	(31,026)	(113,129)
Reversal of provision for impairment	(17,934)	-
Retirement and other services benefits accrued	585,470	541,034
Profit on disposal of operating assets	(16,798)	(31,244)
Share of profit of associates	(451,850)	(294,318)
Dividend income	(65,821)	(60,906)
Finance costs	6,232,056	1,367,898
	7,914,769	2,799,526
Working capital changes - note 35.1	6,347,756	(11,697,883)
	2,905,661	12,479,055

Notes to the Financial Statements
for the year ended June 30, 2009

35.1 **Working capital changes**

	2009	2008
(Increase)/Decrease in current assets		
- Stores, spare parts and loose tools	1,286	4,077
- Stock-in-trade	21,661,858	(32,798,012)
- Trade debts	(47,082,447)	(20,463,442)
- Loans and advances	(21,795)	(30,246)
- Deposits and short term prepayments	(150,370)	1,182,480
- Other receivables	2,892,945	50,807
Increase/(Decrease) in current liabilities		
- Trade and other payables	29,046,279	40,356,453
	6,347,756	(11,697,883)

36. CASH AND CASH EQUIVALENTS

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

	2009	2008
- Cash and bank balances - note 15	2,883,118	3,018,640
- Finances under mark-up arrangements - note 23	(14,393,443)	(10,209,312)
	(11,510,325)	(7,190,672)

(Amounts in Rupees '000)

37. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet	2009	2008
- Available for sale		
Long term investments	1,429,756	1,817,721
- Loans and receivables		
Long term loans, advances and receivables	405,780	477,745
Long term deposits	53,189	53,071
Trade debts	80,509,830	33,904,728
Loans and advances	53,817	55,829
Other receivables	11,845,706	13,495,221
Cash and bank balances	2,883,118	3,018,640
	95,751,440	51,005,234

Financial liabilities as per balance sheet

- Financial liabilities measured at amortised cost

Long term deposits	854,718	834,598
Trade and other payables	105,753,389	74,845,388
Accrued interest/mark-up	556,380	217,928
Short term borrowings	18,654,526	10,997,908
	125,819,013	86,895,822

Notes to the Financial Statements
for the year ended June 30, 2009

37.1 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

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) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company imports petroleum products (including chemicals) and is exposed to currency risk, primarily with respect to liabilities denominated in US Dollars.

The Company manages its currency risk by close monitoring of currency markets. As per central bank regulations, the Company cannot hedge its currency risk exposure.

At June 30, 2009, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, post-tax loss/profit for the year would have been higher/lower by Rs. 1,060,374 (2008: Rs. 1,384,785), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade payables.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 short-term loans and running finance facilities. Loans and running finance obtained at variable rates expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

(Amounts in Rupees '000)

At June 30, 2009, if interest rates on company's borrowings had been 1% higher/lower with all other variables held constant, post tax loss/profit for the year would have been higher/lower by Rs. 121,254 (2008: Rs. 71,486) mainly as a result of higher/lower interest exposure on variable rate borrowings.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not materially exposed to equity securities price risk as the majority of its investments are in non-listed securities.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit rating. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 97,181,196 (2008: Rs. 52,822,955), the financial assets exposed to credit risk amount to Rs. 95,743,863 (2008: Rs. 50,998,678).

Significant concentration of credit risks on amounts due from Government agencies and autonomous bodies amounting to Rs. 34,253,774 (2008: 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. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers. Sales to dealers are settled in cash or using short term financial instruments. However, some of the Company's trade debts are secured by way of letters of credit and bank guarantees.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2009	2008
Long term loans, advances and receivables	405,780	477,745
Long term deposits	53,189	53,071
Trade debts	68,105,251	32,184,947
Loans and advances	53,817	55,829
Other receivables	1,234,559	8,686,684
Bank balances	2,875,541	3,012,084
	72,728,137	44,470,360

Notes to the Financial Statements
for the year ended June 30, 2009

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
National Bank of Pakistan	JCR-VIS	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AA+
Allied Bank Limited	PACRA	A1+	AA
The Royal Bank of Scotland	PACRA	A1+	AA
Faysal Bank Limited	JCR-VIS	A1+	AA
Meezan Bank Limited	JCR-VIS	A1	A+
Citibank N.A.	S&P	A1	A1
Askari Bank Limited	PACRA	A1+	AA
MCB Bank Limited	PACRA	A1+	AA+

(c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the businesses the Company maintains flexibility in funding by maintaining committed credit lines available.

The Company's liquidity management involves projecting cashflows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The negative liquidity position is on account of existing circular debt situation of the Country. The amounts disclosed in the table are the contractual undiscounted cash flows.

(Amounts in Rupees '000)

	2009			2008		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
Financial assets						
Long term loans, advances and receivables	-	405,780	405,780	-	477,745	477,745
Long term deposits	-	53,189	53,189	-	53,071	53,071
Trade debts	80,509,830	-	80,509,830	33,904,728	-	33,904,728
Loans and advances	53,817	-	53,817	55,829	-	55,829
Other receivables	11,845,706	-	11,845,706	13,495,221	-	13,495,221
Cash and bank balances	2,883,118	-	2,883,118	3,018,640	-	3,018,640
	95,292,471	458,969	95,751,440	50,474,418	530,816	51,005,234
Financial liabilities						
Long term deposits	-	854,718	854,718	-	834,598	834,598
Trade and other payables	105,753,389	-	105,753,389	74,845,388	-	74,845,388
Accrued interest/mark-up	556,380	-	556,380	217,928	-	217,928
Short term borrowings	18,654,526	-	18,654,526	10,997,908	-	10,997,908
	124,964,295	854,718	125,819,013	86,061,224	834,598	86,895,822
Net liquidity	(29,671,824)	(395,749)	(30,067,573)	(35,586,806)	(303,782)	(35,890,588)

38.2 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.

Notes to the Financial Statements
for the year ended June 30, 2009

(Amounts in Rupees '000)

During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2009 and 2008 were as follows:

	2009	2008
Total Borrowings	18,654,526	10,997,908
Less: Cash and Bank Balances	(2,883,118)	(3,018,640)
Net Debt	15,771,408	7,979,268
Total Equity	20,870,785	30,965,054
Total Capital	36,642,193	38,944,322
Gearing Ratio	43.0%	20.5%

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.

39. TRANSACTIONS WITH RELATED PARTIES

39.1 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	2009	2008
Associates			
- Pak Grease Manufacturing Company (Private) Limited	Purchases	155,217	103,242
	Dividend received	6,519	6,862
- Asia Petroleum Limited	Income (facility charges)	185,356	125,873
	Rental income	4,685	4,721
	Dividend received	598,761	322,410
	Pipeline charges	1,823,858	1,210,895
Retirement benešt funds			
- Pension Fund	Contributions	124,748	257,001
- Gratuity Fund	Benešts paid on behalf of fund	51,501	88,529
	Contributions	300,000	300,000
- Provident Funds	Contributions	51,736	40,104
Other related parties			
- Pakistan Rešnery Limited	Purchases	29,092,945	34,099,108
	Dividend received	9,000	17,982
- Pak Arab Pipeline Company Limited	Pipeline charges	4,285,128	3,263,981
	Dividend received	56,821	42,924
Prošt oriented state - controlled entities - various	Purchases	87,066,177	105,853,882
	Sales	175,215,057	114,485,348
	Handling income	-	28,385
	Transportation charges	216,114	89,879
	Utility charges	89,936	70,192
	Rental charges	22,181	19,745
	Security deposits	-	32,662
	Insurance premium paid	862,669	555,900
Key management personnel	Remuneration including performance bonus	20,657	21,554
	Retirement benešts	572	588
	Housing and utilities	5,511	5,579
	Leave fare	1,996	2,227

39.2 The related party status of outstanding receivables and payable as at June 30, 2009 are included in respective notes to the financial statements.

Notes to the Financial Statements
for the year ended June 30, 2009

40. CORRESPONDING FIGURES

For better presentation the following major reclassifications in the corresponding figures have been made:

Description	Head of account of the financial statements for the year ended June 30, 2008	Head of account of the financial statements for the year ended June 30, 2009	
Legal and professional charges	Distribution and marketing expenses - note 28	Administrative expenses - note 29	9,075
Sales promotion and advertisement expenses	Administrative expenses - note 29	Distribution and marketing expenses - note 28	22,679

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 12, 2009 by the Board of Management - Oil of the Company.

Irfan K. Qureshi
Managing Director

Sardar M. Yasin Malik
Chairman

Attendance at Board Meetings
for the year ended June 30, 2009

Names of Members of Board of Management**	Total Number of Board Meetings*	Number of Meetings Attended
DR. SARDAR M. YASIN MALIK (SI) (Chairman)	7	7
MR. IRFAN K. QURESHI (MD)	2	2
MR. ARSHAD SAID	7	5
MR. ISTAQBAL MEHDI	7	4
MR. MAHMOOD AKHTAR	7	7
MR. M. YOUSAF QAMAR HUSSAIN SIDDIQUI	7	6
MR. ISKANDER MOHAMMED KHAN	7	7
MR. MUHAMMAD EJAZ CHAUDHRY	5	5
MR. HAJI AMIN PARDESI	7	0
MR. SHAUKAT HAYAT DURRANI	2	2
MR. KALEEM A. SIDDIQUI (MD)	3	3
MR. MUHAMMAD ABDUL ALEEM (MD)	2	2

*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 Shareholdings
as at June 30, 2009

	NO. OF SHAREHOLDERS	NO. OF SHARES	%
INDIVIDUALS	13,187	21,250,606	12.39
INSURANCE COMPANIES	15	1,442,790	0.84
PUBLIC SECTOR COMPANIES	25	64,447,404	37.57
FINANCIAL INSTITUTIONS AND BANKS	57	6,692,670	3.90
MODARABA COMPANIES & MUTUAL FUNDS	67	13,306,461	7.76
FEDERAL GOVERNMENT	1	43,756,324	25.51
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	1	2	0.00
FOREIGN INVESTORS	165	5,464,749	3.19
OTHERS	251	15,157,895	8.84
TOTAL	**13,769**	**171,518,901**	**100.00**

Pattern of Shareholdings
as at June 30, 2009

Additional Information

	NO. OF SHAREHOLDERS	NO. OF SHARES	%
Associated Companies, Undertakings and related Parties			
Government of Pakistan	1	43,756,324	25.51
NIT / ICP			
National Investment Trust	4	11,332,282	6.61
NBP, Trustee Department	2	26,742,527	15.59
Investment Corporation of Pakistan	1	848,691	0.49
CEO, Directors and their Spouse and Minor Childern			
Irfan Khalil Qureshi	1	1	0.00
Public Sector Companies & Corporations Banks, DFIs NBFIs, Insurance Companies, Modarbas, Mutual Funds and other Organizations	323	52,430,577	30.57
Individuals	13,186	21,250,605	12.39
Others	251	15,157,895	8.84
TOTALS	**13,769**	**171,518,901**	**100.00**

Pattern of Holdings of Shares held by the Shareholders

as at June 30, 2009

Number of Shareholders	Having Shares From	Having Shares To	Shares Held	Percentage
4,882	1	100	158,640	0.0924
3,330	101	500	951,395	0.5546
1,806	501	1,000	1,418,351	0.8269
2,648	1,001	5,000	6,018,674	3.5090
520	5,001	10,000	3,670,242	2.1398
196	10,001	15,000	2,486,513	1.4497
106	15,001	20,000	1,907,034	1.1118
55	20,001	25,000	1,252,121	0.7300
36	25,001	30,000	997,194	0.5813
15	30,001	35,000	497,574	0.2900
13	35,001	40,000	491,002	0.2862
8	40,001	45,000	339,804	0.1981
13	45,001	50,000	629,118	0.3667
13	50,001	55,000	689,605	0.4020
6	55,001	60,000	348,335	0.2030
7	60,001	65,000	441,518	0.2574
7	65,001	70,000	481,711	0.2808
4	70,001	75,000	295,328	0.1721
3	80,001	85,000	250,400	0.1459
7	85,001	90,000	610,426	0.3558
2	90,001	95,000	190,000	0.1107
9	95,001	100,000	891,106	0.5195
4	100,001	105,000	403,710	0.2353
1	105,001	110,000	110,000	0.0641
1	110,001	115,000	111,900	0.0652
1	115,001	120,000	117,000	0.0682
2	120,001	125,000	247,480	0.1442
2	125,001	130,000	254,524	0.1483
4	130,001	135,000	529,300	0.3085

Pattern of Holdings of Shares held by the Shareholders

as at June 30, 2009

Number of Shareholders	Having Shares From	Having Shares To	Shares Held	Percentage
2	135,001	140,000	273,127	0.1592
2	145,001	150,000	300,000	0.1749
1	155,001	160,000	160,000	0.0932
2	160,001	165,000	328,027	0.1912
2	165,001	170,000	338,500	0.1973
1	175,001	180,000	177,500	0.1034
3	190,001	195,000	573,118	0.3341
6	195,001	200,000	1,196,816	0.6977
1	205,001	210,000	210,000	0.1224
3	225,001	230,000	689,500	0.4019
1	235,001	240,000	237,794	0.1386
3	245,001	250,000	750,000	0.4372
1	290,001	295,000	291,700	0.1700
2	295,001	300,000	597,000	0.3480
1	300,001	305,000	301,578	0.1758
1	305,001	310,000	310,000	0.1807
1	325,001	330,000	328,800	0.1916
1	330,001	335,000	332,343	0.1937
1	355,001	360,000	359,600	0.2096
1	360,001	365,000	365,000	0.2128
1	370,001	375,000	375,000	0.2186
1	385,001	390,000	389,900	0.2273
1	395,001	400,000	400,000	0.2332
1	425,001	430,000	427,200	0.2490
1	435,001	440,000	435,900	0.2541
1	445,001	450,000	448,236	0.2613
1	465,001	470,000	466,600	0.2720
1	485,001	490,000	489,400	0.2853
1	495,001	500,000	495,426	0.2888

Pattern of Holdings of Shares held by the Shareholders

as at June 30, 2009

Number of Shareholders	Having Shares From	Having Shares To	Shares Held	Percentage
2	510,001	515,000	1,023,705	0.5968
1	555,001	560,000	559,900	0.3264
1	575,001	580,000	579,100	0.3376
1	595,001	600,000	600,000	0.3498
1	720,001	725,000	725,000	0.4226
2	725,001	730,000	1,458,579	0.8503
1	755,001	760,000	756,532	0.4410
1	845,001	850,000	848,691	0.4948
1	945,001	950,000	950,000	0.5538
1	965,001	970,000	965,487	0.5629
1	1,110,001	1,115,000	1,113,300	0.6490
1	1,575,001	1,580,000	1,580,000	0.9211
1	1,620,001	1,625,000	1,621,925	0.9456
1	3,210,001	3,215,000	3,213,479	1.8735
1	3,735,001	3,740,000	3,738,731	2.1797
1	9,995,001	10,000,000	9,997,584	5.8288
1	10,270,001	10,275,000	10,273,300	5.9896
1	10,975,001	10,980,000	10,975,800	6.3991
1	11,925,001	11,930,000	11,929,446	6.9551
1	26,010,001	26,015,000	26,013,948	15.1668
1	43,755,001	43,760,000	43,756,324	25.5110
Total 13,769			**171,518,901**	**100.0000**

Pakistan State Oil Company Limited

Thirty-Third Annual General Meeting 2009

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-Third Annual General Meeting of the Company to be held on Tuesday, September 29, 2009 and at any adjournment thereof.

Signed by me/us this ____________ day of ________ 2009.

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 Stamp

for Office use ____________________

Report to Shareholders

Report to Shareholders

The Board of Management of PSO is pleased to present the thirty-third annual report and the audited financial statements of the Company for the year ended June 30, 2009. This Report presents the financial, operational, human resource, and corporate responsibility performance of the Company, and highlights the key business challenges faced by us during the year.

During FY09, despite global and domestic economic recession, PSO successfully maintained its market leadership in major products of its business portfolio i.e. Motor Gasoline (Mogas), Hi-speed Diesel (HSD) and Fuel Oil (FO).

GLOBAL AND DOMESTIC BUSINESS ENVIRONMENT

Pakistan's macroeconomic environment faced massive challenges of the war on terror, the deepening of the global financial crisis which pierced into the domestic economy through a substantial decline in the country's exports, the return of expatriates due to layoffs in international markets, a visible slowdown in foreign direct inflows and the devaluation of the Pakistani Rupee.

The extremely volatile nature of oil prices remained at the heart of the global financial crisis. During the first half of FY09, western economies slowed down and hedge funds invested trillions of dollars in the energy sector. But when the banking industry collapsed, hedge funds had to raise cash by liquidating their investments in the energy sector, sending oil prices tumbling. By December 2008, oil prices had collapsed by 75%.

The global crash of oil prices in the international market, however, helped Pakistan in addressing the mounting trade deficit mainly due to a significant decrease in the imports value of the country. This also helped the government in withdrawing the huge subsidies it was giving to the consumers in the backdrop of very high international oil prices. The support from the IMF and other bilateral and multilateral donors helped Pakistan in improving its fast depleting foreign exchange reserves.

PETROLEUM INDUSTRY OVERVIEW

FY09 witnessed a very sharp fluctuation in international oil prices which touched the highest level of US$ 141/bbl in July 2008 against the lowest level of US$ 33/bbl in December 2008.

During FY09, a number of internal and external challenges threatened Pakistan's economy, and a shortfall in the energy sector, mainly driven by circular debt, was among the major problems. During the year under review, supply and consumption of energy in different sectors remained lower than the previous year. This was mainly due to the overall slowdown of our economy caused by inflation coming from very high energy products prices. This, in particular, had an adverse impact on the performance of our large-scale manufacturing sector.

The consumption of petroleum products in the country during FY09 decreased by 1% compared to the preceding year. Mogas and JP1 showed a volumetric growth of 4.2% and 3.2% respectively, whereas HSD and SKO experienced a downward trend with a negative growth of 7.4% and 21.7% respectively. The overall growth impact remained negative as greater volumes of HSD were consumed as compared to Mogas and JP1.

On the CNG side, Pakistan became the largest CNG consumer in the world with 2,700 CNG stations catering to about 2.0 million vehicles as compared to 1.7 million vehicles during the preceding year, showing an increase of 17.6%.

The consumption of Black Oil (Fuel Oil and Light Diesel Oil) grew to 8.2 million tons – an increase of 5.7% over the preceding year. Black Oil demand picked up owing to supply constraints for natural gas and a significant reduction in hydro-electricity. This trend in Fuel Oil consumption is expected to continue in subsequent years mainly due to the above mentioned factors.

During FY09, local refineries produced 9.6 million tons whilst the deficit requirement of around 9.8 million tons was imported. The major chunk of the demand was in FO and HSD for which 5.1 million tons and 4.3 million tons were imported respectively. A significant reduction in the refining capacity of different refineries was witnessed mainly due to the mounting circular debt.

PSO PERFORMANCE

During FY09, PSO sold 12.9 million tons of POL products (excluding exports of 0.17 million tons) as compared to 13 million tons (excluding exports of 0.11 million tons) during the preceding year. The Company was able to sustain its sales volumes despite the overall economic slowdown and the decline in petroleum products consumption in the white oil segment.

GUJRANWALA

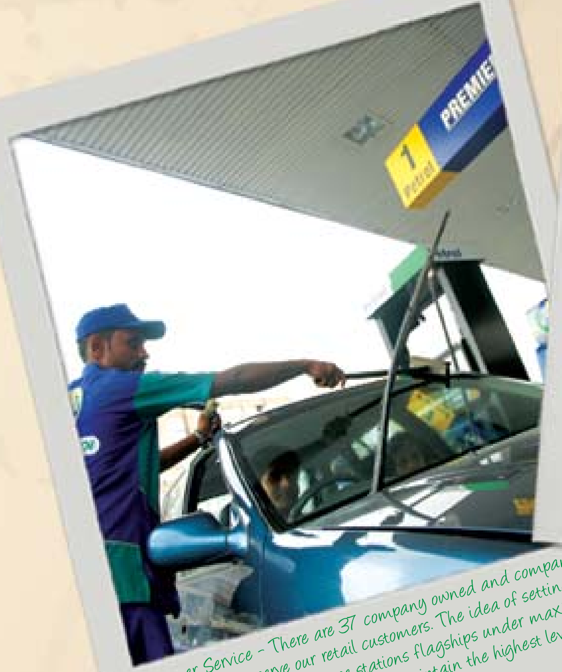
Punjab, Pakistan - 32°10'N, 74°12'E

Gujranwala is a city in Punjab, Pakistan. It is an agricultural marketing centre as well as a commercial and industrial centre, with its rural areas producing a large variety of agricultural goods.

The Gujranwala Railway Station was built in colonial times and is a famous landmark of the area along with the Sialkoti gate.

Gujranwala is famous for its world renowned sports goods, textile mills, cutlery manufacturing and large agricultural processing plants. The main crops of Gujranwala are rice, wheat, potatoes, barley and pearl millet.

A network of 152 retail outlets across Gujranwala positions PSO as one of the leading petroleum products in the city.



Customer Service - There are 37 company owned and company operated sites to serve our retail customers. The idea of setting CoCo sites was to make these stations flagships under maximum supervision and intense scrutiny to maintain the highest level of efficiency, service and customer care.

Agriculture - Gunjranwala is one of the key producers of wheat, sugar cane, rice, and dhakki dates that are exported the world over.

Black Oil

In Black Oil, PSO enhanced its market share appreciably from 82.3% in FY08 to 85.8% in FY09. This actually reflects on the Company's ability to meet the FO demand from the power sector.

PSO's sales volume grew by over 10.2% as the power sector mainly relied on PSO as competitors showed least interest in supplying Furnace Oil to the power sector in the backdrop of the mounting circular debt.

White Oil

In White Oil, despite a negative growth of 9.1% in the sales volume, PSO continued its market leadership with a 59.4% market share.

The decrease in white oil volumes was mainly due to the overall economic downturn which resulted in a 5.5% decline in overall industrial volumes as well.

Mogas

In Mogas, PSO registered an increase of 2.4% in sales volumes as compared to the preceding year. The increase in sales was largely attributable to the narrowing price gap between Mogas and CNG due to which consumers preferred to drive their cars on petrol. During FY09, PSO continued its leadership in Mogas with a market share of 48%.

HSD

HSD sales volumes by PSO during FY09 witnessed a decline of around 11%. The reason behind this negative growth was the lack luster economic activity and slow transportation across the country. However, during FY09, PSO continued playing its leadership role in this product category with a market share of 61.2%.

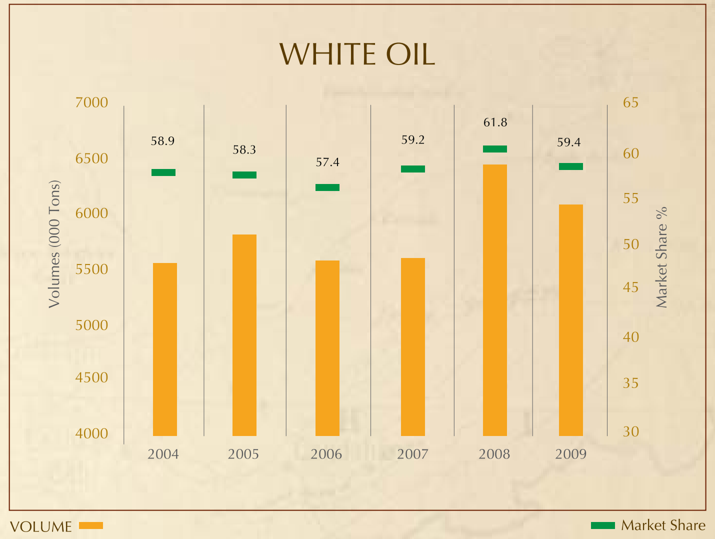
JP1

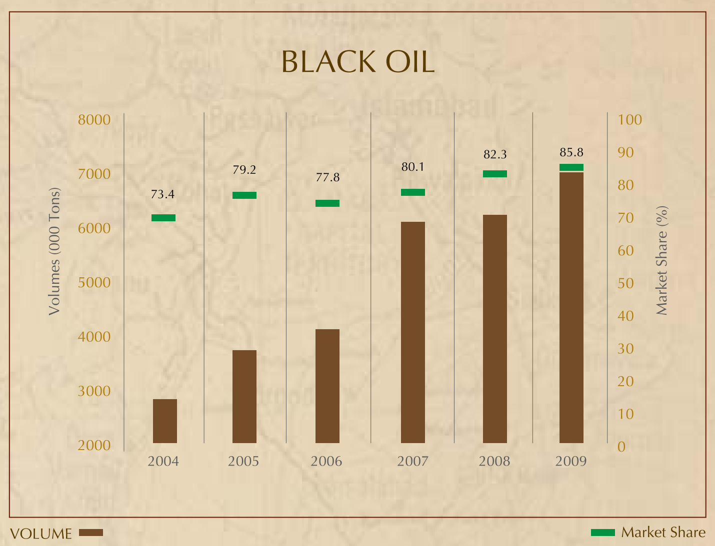
In JP1, PSO continued to provide fuel at 9 airports across the country and registered an increase of 7.3% in its sales volume as compared to the preceding year. The Company maintained its leadership with a market share of 66.4%.

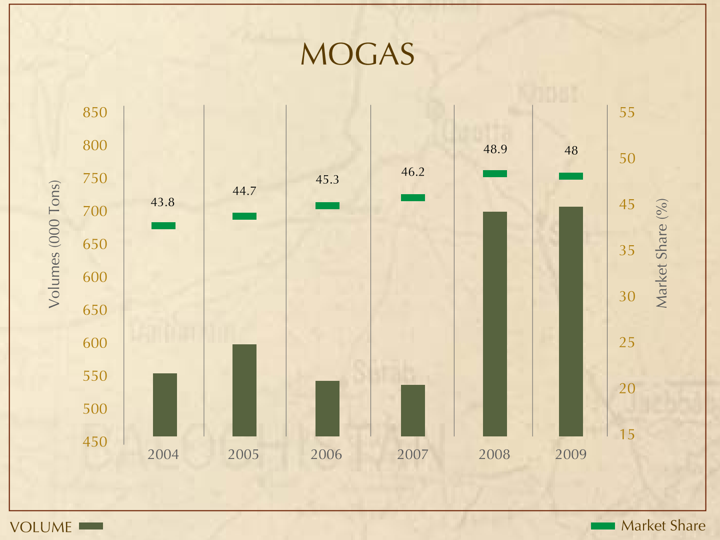
Your Company ended FY09 with an overall market share of 71.3% as compared to 70.5% during FY08.

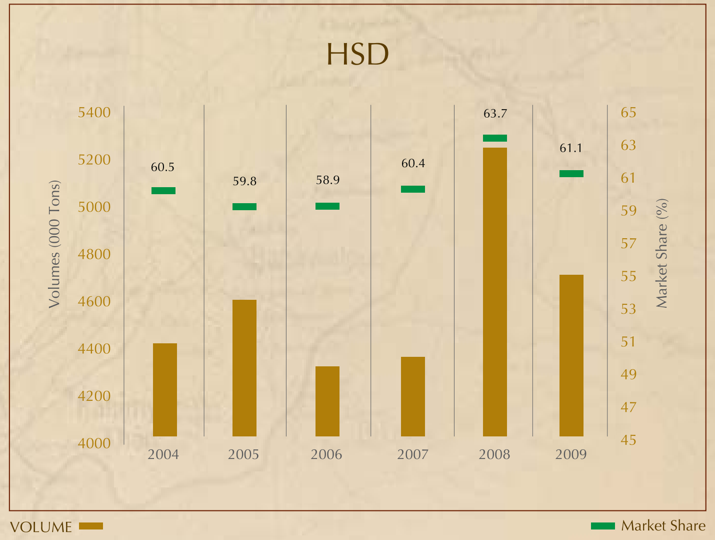
Product	'000 Tons		Market Share %	
	Jul - Jun, 2009	Jul - Jun 2008	Jul-Jun 2009	Jul-Jun 2008
White Oil				
H S D	4,674	5,258	61.1	63.8
GASOLINE	734	717	48.0	48.9
JP-1(Local)	414	385	66.4	63.9
S K O	101	154	56.5	67.4
	5,923	6,514	59.4	61.8
Black Oil				
F O	6,976	6,308	86.4	83.0
L D O	29	48	32.6	37.6
	7,005	6,356	85.8	82.3
Total	12,928	12,870	71.3	70.5
JP-1 (Export)*	171	105	40.9	31.8

Source: OCAC









PSO Major Highlights - FY 2009

- Sold 7 million tons of furnace oil – the highest in the last 8 years
- Efficiently managed supply to the power sector despite the liquidity crisis
- Imported approximately 90% of the country's POL imports
  - *3.4 million tons of HSD*
  - *5 million tons of FO*
- Helped in the revenue collection of more than Rs. 161 billion to the GOP (Sales Tax: 97 billion, taxes: 1.4 billion, PDL: 61 billion)
- Extended support to various charitable organizations in the health & education sector including contribution for the rehabilitation of IDPs due to the Swat operation

KEY ACHIEVEMENTS FY09

12+1 Depot Model Implementation

As a result of the Government's decision regarding the closure of several depots nationwide and implementing the 12+1 Depot Model, PSO had to manage additional product handling at depots/terminals. In relation to this requirement, the Company undertook the project of developing a Tank Lorry Decanting Facility for Mogas at JIMCO. Furthermore, decanting and loading facilities at Sihala Terminal and Tarujabba depot were upgraded to meet operational requirements in view of the depots closure.

The Company successfully implemented the 12+1 Depot Model and met the Government's deadline.

Uninterrupted Fuel Supply throughout the Country

PSO has the widest strategic oil distribution network. This network comprises 81% of the total national storage, numerous pipe line networks and equity partnership in the White Oil Pipeline Project (WOPP) from Karachi to Mehmood Kot. The distribution network facilitates PSO in supplying fuel to the vital sectors of the economy. Besides supplying fuel to national power utilities like WAPDA and KESC, PSO is the largest Furnace Oil supplier to all the Independent Power Projects (IPPs) in Pakistan. In FY-09, more than 14 million tons of products were arranged (30% through local refineries and 70% through imports) in order to meet the dynamic market demand of different sectors. During the year, the Company imported more than 3.4 million tons of Diesel and 5 million tons of Furnace Oil. Furthermore, in view of the high demand of Kot Addu Power Co.Ltd (KAPCO), the Company arranged more than 900,000 tons of LSFO through imports, which was in addition to the provision of approximately 270,000 tons produced locally.

The Company imported and supplied around 1 million tons of LSFO for the first time in its history. Overall, 175 vessels of 9.74 million MTs of distillates such as HSD, HSFO, LSFO, JP-1, Mogas etc. were arranged. PSO also made record supplies of 232,500 MT of HSFO to HUBCO in the month of March 2009.

During FY09, 80.1% (3.4 million tons) of the total HSD imports of the country were managed by PSO. The Company thus played a vital role in fulfilling the needs of the all-important transportation sector. In Furnace Oil, the Company imported 99.3% (5 million tons) of the country's total imports which is of immense significance for power generation in the country.

In order to ensure an uninterrupted supply of HSD to Pakistan, the Company finalized a 3 year term contract agreement with Kuwait Petroleum Company. In addition, the Company renewed its existing and signed new POL Hospitality and Sale Purchase Agreements with OMCs & local refineries.

Record Movement of LSFO for Power Sector

The Company's logistics wing moved 11.7 million tons of products which include HSD, Mogas, SKO, LDO, HOBC, JP1, HSFO and LSFO. Despite enormous challenges like the ever increasing demand of fuel oil due to power outages, emergency shutdowns of major refineries and the fragile law and order situation in the country, the Company ensured supplies to over 3,600 retail outlets and over 500 other customers including industries, power plants, aviation, marine and export. In April 2009, the Company moved 116,875 MTs of LSFO from Karachi to Lalpir which was the highest ever in any month.

Aiming at bringing further efficiency in the oil transportation business, regular training sessions at various locations were organized. The aim of these sessions was to keep contractors abreast on the dynamic marketing environment/competition and also to ensure that adequate training be imparted to drivers on the importance of safe driving.

Growing New Vision Retail Outlets Network

The rapid development of New Vision Retail Outlets (NVROs) in the past few years is one of the top reasons for the increased market share and image of the Company. Continuing with the same vigour, the Company met its annual target of building 100 NVROs in FY09. PSO now has more than 1,700 NVROs in its network, which is a landmark in terms of the highest number of stations amongst other oil marketing companies (OMCs).

Computerized Maintenance Management System

A state-of-the-art Computerized Maintenance Management System (CMMS) has been deployed to integrate all maintenance activities for retail outlets. This system has been implemented to ensure complete traceability of complaints regarding all breakdown issues at retail outlets. It will also provide real-time data regarding all pending complaints along with any repetitive defects in any equipment. The system also serves as an information hub and helps in quick and accurate decision-making.

Reaching 100,000 Cards' Customers Landmark

During FY09, PSO's Cards Business continued to grow and further consolidated its market share. The Fleet & Corporate Card-customer base expanded by 84% with over 7,000 corporate accounts. In July 2008, PSO Fleet & Corporate Cards achieved a milestone of serving 100,000 Cards' customers, endorsing the popularity & success of the Fleet Management Solutions. To complement these remarkable achievements, PSO Fleet & Corporate Cards received the 4th consecutive 'Consumer Choice Award'.

UBL PSO Partnership

Another success on the cards horizon was the launch of the 'UBL PSO Auto Credit Card'. A first of its kind in Pakistan, the unique selling proposition is that the cardholder is entitled to receive 5% free fuel of the total transaction amount at the end of every transaction made at a PSO retail outlet.

Vehicle Identification System

PSO successfully introduced yet another technology-driven initiative for large corporate fleet accounts, namely the Vehicle Identification System (VIS) that confines the delivery of fuel to authorized vehicles only.

Business Diversification - Non-Fuel Retail

With today's growing competition in the fuel business, PSO has placed greater emphasis on its Non-Fuel Retail (NFR) Business in order to diversify and strengthen the bond with its customers in a bid to provide convenience and services that distinguish it from the competition.

Providing a diversified range of services at strategically selected locations, NFR aims to enhance PSO's brand image and generate supplementary revenue for the Company by utilizing the capacity of PSO's valued retail space and by leveraging the advantage of a captive target market.

Collaborating with renowned local and international banks, PSO has launched financial facilities such as ATMs and Banking Centres that provide the ease of 24-hour banking services in a secure environment.

Customers can fuel up their appetites at Pizza Hut and Dunkin Donuts available at selected PSO retail outlets in Lahore and Karachi.

As an additional revenue stream, NFR has also introduced advertising platforms at the retail forecourt and provides opportunities for distinguished brands to establish in-store alliances for PSO's Shop Stops.

Industrial Consumer

During FY09, PSO recorded 7 million tons sale of Furnace Oil to the power sector which was the highest in the last six years. In addition, the Company managed to win and continue its contracts with leading industrial consumers. The Company also entered into sales purchase agreements with different OMCs for the supply of HSD, Mogas, SKO, LDO and HSFO.

JHELUM

Punjab, Pakistan - 32°56'N 73°43'E
Jhelum is a city in northern Punjab, and lies on the right bank of the Jhelum River. The name of the city is derived from the words Jal (pure water) and Ham (snow), as the river that flows through the city originates in the Himalayas.

The Rohtas Fort, the most famous landmark of the Jhelum district, is also a UNESCO World Heritage Site. It is a garrison fort built by the great Afghan King Sher Shah Suri. This fort is about 4 kms in circumference and the first example of the successful amalgamation of Pukhtun and Hindu architecture in the sub-continent.

There are a variety of industries in and around Jhelum city, including an extensive fan industry and wood, glass and flour mills.

PSO has established itself firmly in Jhelum with a far-reaching network spanning 158 retail outlets.

Cards - PSO has been a pioneer in introducing an array of cards for the convenience of our customers. These cards include Fleet and Corporate Cards for the business entities and various denominations of pre-paid cards for the general public.

Fans - Jhelum is one of the largest producers of fans in Pakistan and has over the last few decades, attained a name in export of electric fans.

Total Quality Management

In order to achieve significant operating efficiencies, the Company has already implemented the ISO Certification at its major departments and facilities. During FY09, the ISO 9001:2000 and ISO 9001:2008 Quality Management System Certification was earned by HSE, NFR, Exports, Marketing Planning and Logistics (Tarujabba & Mehmood Kot).

Growth in Gaseous Fuels Business

Since July 2008, Pakistan has become the world's largest CNG consuming country with more than 2 million CNG vehicles on the road. PSO maintained its leadership position among OMCs in the CNG industry with a market share of 21.6% and a volumetric growth of 20.6% as compared to the industry growth of 15%. Currently 253 CNG stations are operating throughout the country as compared to 240 during FY08.

Challenges in the Lubricant Business

During FY09, the Company sold 26,000 MTs of its different lubricant brands in the retail and industrial markets. After the termination of our agreement with BP Castrol, our brands DEO and Carient are gradually making their mark in a fiercely competitive market. During FY09, your Company launched many advertisement campaigns nationwide for the awareness of its different lubricant brands and more such promotional campaigns will be unveiled in the near future.

The Company successfully arranged the filling of nine (9) new packing of lubricants such as:

- Carient Plus 1 liter
- DEO 8000 1 liter
- DEO 3000 10 liters
- Carient Plus 3 liters
- DEO 2000 4 liters
- DEO 8000 10 liters
- Carient Ultra 4 liters
- DEO 5000 4 liters
- DEO 20 liters

This has completed the PSO Range from 0.70 Liter to 20 Liters. This range is now available throughout Pakistan for all segments of the retail market.

The Pakistan Army requirement for initial fill oil for their T80-UD, Al-Khalid and Al-Zarar tanks was developed by the Lubricants Technology Group at PSO. Your Company fully realizes the importance of its lubricants business and all-out efforts will be made in different market segments to increase PSO's market share.

Health, Safety & Environment (HSE)

The summary of reportable injuries and incidents analysis reflects the performance of an organization with regards to workplace safety during the reported period. The under mentioned results indicate PSO's HSE performance in safety.

The Company achieved 5.535 Million Safe Operational Man-hours during FY09 without any Lost Work Day (LWD) injury. The Incident Rate remains at 0.145 per million Man-hours during this period.

During the year, ***Climate Change Capital Limited*** acknowledged PSO's initiatives and products performance from an environmental point of view and certified that green house gas emissions resulting from PSO's Petroleum product storage tanks in Pakistan are considered negligible.

When it comes to safety at retail outlets, CNG is considered as the most sensitive area. In this regard, PSO arranged a series of CNG Technical Training Seminars throughout the country during FY09 for Divisional Engineers and business partners (PSO CNG operators). The focus of these technical training sessions was to create awareness of precautionary measures to be taken against CNG incidents/accidents and safety standards to be maintained at CNG stations.

Growing Aviation Business

The Company signed Technical, Commercial and Supply agreements with Air Total International covering a three year term. In addition to this, refuelling contracts of Air China, Federal Express, MNG, Asiana and all the armed forces of the country were also acquired.

During FY09, PSO's Jet A-1 sales were recorded at 414,000 MT which was 7% higher compared to last year. This resulted in an increase in market share from 63.9% to 66.4%.

The Company also inducted two imported refuellers of 10,000 USG capacities each, as a phase wise replacement of old equipment with the latest technology equipment.

PSO successfully completed Pre & Post Hajj Operations in addition to scheduled, non-scheduled flights by delivering 22,281 MT. of Jet A-1 without a single delay/mishap, which was 23.6% more than last year.

Marine Business

In the Marine business, PSO signed a 5-year contract with the Pakistan Navy for the supply, defuelling (storage) and Purchase of HSD. The Company was also awarded HSD supply contracts from the Maritime Security Agency & KPT.

Exports Business

In March 2009, the Company achieved the highest sales in a month by delivering 25,550 MT of Jet Fuel in 661 tank trucks. Over 3,750 Jet Fuel loaded Tank Trucks were exported during FY09 without any complaint.

Information Security

During FY09, PSO was also awarded the ISO/IEC 27001: 2005 – Information Security Management System certification in recognition of its secure multi-site provision of IT Services to PSO offices and Departments. PSO is the first Company in the Oil & Gas Industry in Pakistan that achieved this milestone. ISO 27001:2005 reflects the quality certification as per the latest internationally recognized standards that should be implemented by the Information Systems departments of any organization. The objective of ISO 27001 is to provide organizations with a common basis for maintaining information security and assurance for the confidentiality, integrity and timely availability of information assets. In Pakistan, only 11 organizations including IT companies/software houses mostly affiliates of foreign companies, are ISMS certified.

Corporate Social Responsibility

During FY09, PSO undertook several initiatives in the area of Corporate Social Responsibility (CSR) with an aim to contribute towards the betterment of the society from different platforms. The Company provided significant financial support to welfare organizations working in the areas of health, education and community building for the under privileged.

Health Sector

During FY09, the Company extended its support to charitable organizations well known for working in the health sector, mainly the Thalassaemia Care Centre Badin, Civil Hospital Karachi, Marie Adelaide Leprosy Centre, Children Cancer Foundation Trust Karachi, Al Mehrab Tibbi Imdad, The Layton Rahmatullah Benevolent Trust's Misson, Agha Khan University Hospital, Aziz Jehan Begum Trust for Blind, Fatimid Foundation and many more.

Community Care

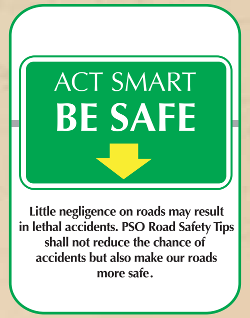
From the community building platform, the Company donated generously for the rehabilitation of flood affected areas in Baluchistan and also extended its support to the people of Swat by providing financial assistance of Rs. 10 million to the Prime Minister's Relief Fund. Employees of the Company also contributed towards this noble cause by donating a day's salary.

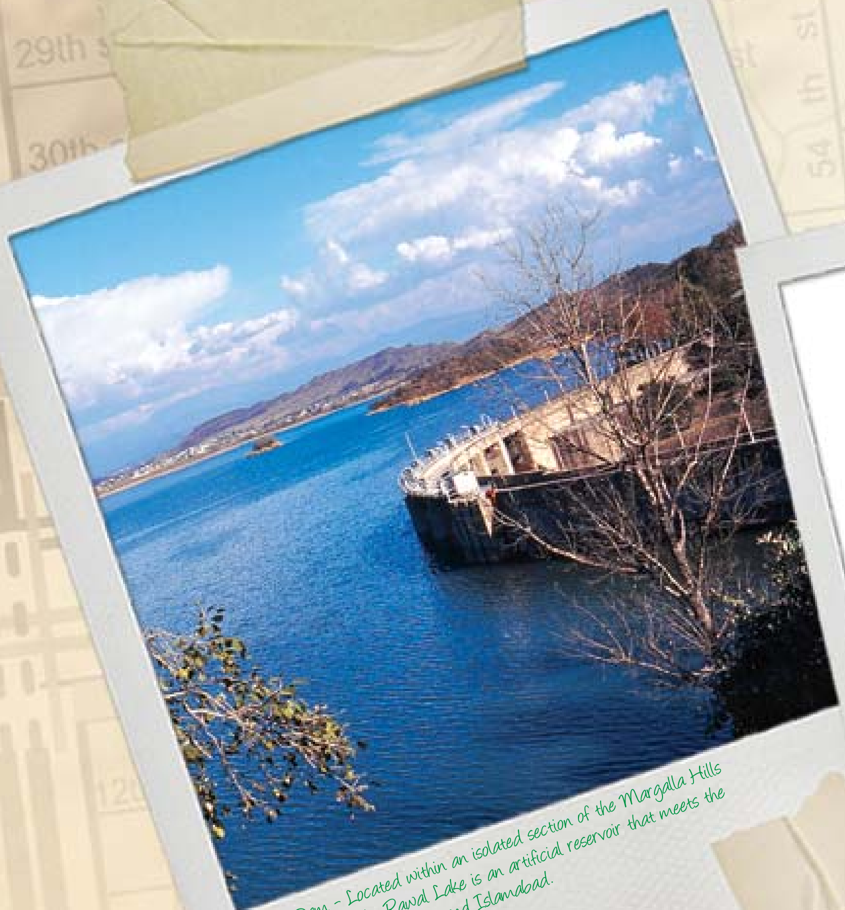
Education

Realizing the role of literacy in the development of a nation, PSO supported institutes like the Heritage Foundation, Friends of Literacy & Mass Education, Karachi Vocational & Training Centre, The Citizen Foundation, Dr. A. Q. Khan Institute Mianwali, Kaghan Memorial Trust, Islamabad etc. During FY09, two schools were inaugurated in Mansehra in collaboration with the Heritage Foundation whereas more are in the development stages in partnership with The Citizen Foundation. PSO also joined hands with the Virtual University of Pakistan to establish a VU PSO Campus at District Badin-Sindh. According to this agreement, the Company will facilitate the university by providing its premises to establish a campus in District Badin to educate and impart training to the students and the general public residing in the area.

Public Service Campaigns

PSO also conducted several public service advertising campaigns regarding road safety, fuel saving, illicit distribution of 'dabba' petrol and CNG protective measures. The objective of these campaigns was to create awareness about significant social issues in an effort to stimulate positive change.

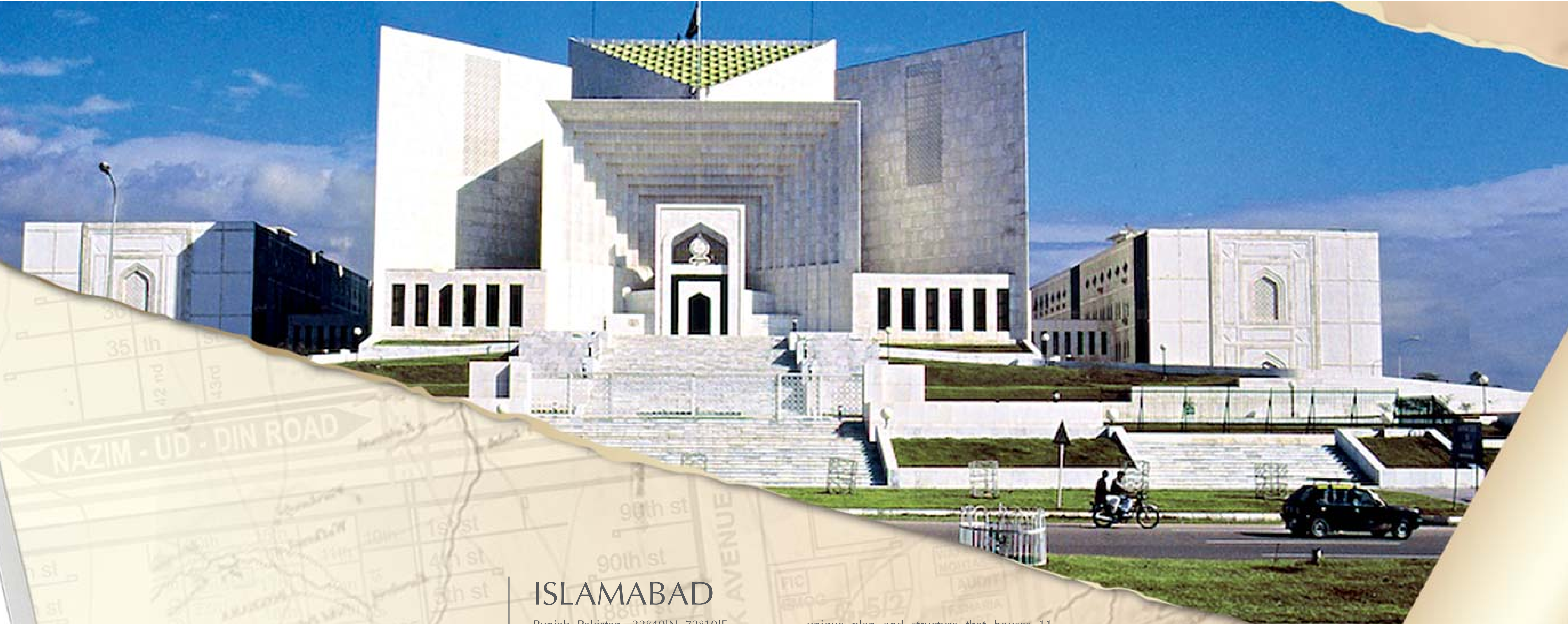




Rawal Dam - Located within an isolated section of the Margalla Hills National Park, the Rawal Lake is an artificial reservoir that meets the water needs of Rawalpindi and Islamabad.

E10 gasoline

E-10 - PSO has finalized arrangements to launch E10 Gasoline in Karachi, Lahore and Islamabad. This has ten percent ethanol blended with petrol. This will not only help the country in reducing its import bill in coming years but will also provide motorists with an economical fuel option.



ISLAMABAD

Punjab, Pakistan - 33°40'N, 73°10'E
Islamabad is the capital city of Pakistan, and is located in northern Pakistan. Crowned as the "City of Peace," Islamabad lies at the foot of the Margalla Hills on the Potwar Plateau near Rawalpindi. Modern Islamabad presents a blend of traditional Islamic and contemporary architectural styles.

One of the important buildings in Islamabad is of Supreme Court of Pakistan. This building is situated on the Constitution Avenue, in close proximity to the Prime Minister's Secretariat, the President's House and the Parliament Building. The building has come to be recognized as a landmark and is easily identifiable due to its unique plan and structure that houses 11 Courtrooms. The library of the Supreme Court contains an impressive collection of over 72,000 books, reports and journals.

The capital city houses 305 PSO Retail Outlets with one outlet being the first to provide a blend of ethanol with gasoline (E-10) to customers.

Contributions to the National Exchequer

During FY09, PSO contributed Rs. 161 billion to the government exchequer in the form of corporate taxes, excise duty, sales tax, import duty, petroleum development levy (PDL) and dividends.

Employee Training & Organization Development

Employee training is one of the most important investments a company makes for its long-term growth. As competition intensifies, employees' competence becomes increasingly more important.

During FY09, PSO provided quality training opportunities to its employees who enhanced their skills and managerial competence. 225 training programs and workshops were organized which benefited 2,710 employees. By strengthening our Employee Development Programs, we were able to provide approximately 1,850 training inputs to our workforce through our internal and external trainers. Inputs have specially been designed to keep work ethics and customer satisfaction in focus while providing trainings. Our emphasis in employee development programs has been on Motivation, Leadership, Presentation Skills, Team Work, Time Management, Emotional Intelligence, Corporate Governance, Ethics etc. The Company also provided training to non-management staff at depots and terminals to increase their level of safety and occupational health awareness so that all work is carried out keeping in view the best safety practices which would help to reduce or eliminate accidents at the workplace.

We have also been facilitating Universities by providing learning based professional internship programs during summer and winter vacations by giving them projects for professional experience. During FY09, 300 interns were inducted in PSO, which is a record, and another 300 students from different universities were assisted in project work.

FINANCIAL RESULTS

During FY09, the Company's sales revenue touched Rs. 719 billion compared to Rs. 583 billion last year mainly due to heavy reliance of the power sector on PSO for the supply of Furnace Oil.

During FY09, the loss after tax amounted to Rs. 6.7 billion versus a profit after tax of Rs. 14 billion during FY08, mainly due to higher financial costs and inventory losses which were incurred during the first half of FY09.

The performance of the Company during the second half of FY09 shows a positive picture primarily due to stabilized oil prices at the level of $ 60-70 per barrel. As a result of steady oil prices, the Company was able to post improved after tax earnings of Rs. 781 million during the 3rd quarter and Rs. 2,571 million during the 4th quarter as compared to the losses incurred during the 1st and 2nd quarters of FY09.

Inventory Losses

The decline in the profitability of the Company is mainly attributed to heavy inventory losses suffered because of a sharp fall of 50% in international oil prices during 1Q FY09 as against an increase last year which had resulted in inventory gains. The Company registered Rs. 18.9 billion on account of inventory losses during FY09 as compared to inventory gains of Rs. 11 billion during FY08.

Pak Rupee Devaluation

In addition to inventory losses, Pakistan Rupee devaluation of 19% against the US$ severely hampered the profitability of the Company as more than 80% of oil product imports in the country are carried out by PSO.

Financial Charges

PSO's financial charges during FY09 increased many folds mainly due to heavy bank borrowing to address the liquidity crunch resulting from circular debt. The Company ended up paying Rs. 6.2 billion as financial charges during FY09 adding to its tally of losses during the year.

These factors also adversely affected other players in the oil sector of Pakistan during the review period.

Circular Debt

The Company faced serious liquidity problems owing to receivables from the IPPs (HUBCO, KAPCO, PEPCO) and PIA who defaulted on payments to PSO. As on June 30, 2009, receivables from these entities stood at Rs. 79 billion. Consequently, the Company owed Rs. 64 billion to local refineries and hence resorted to short-term borrowings.

Strategy to Overcome Liquidity Problems

The management of PSO has formulated various strategies to overcome these liquidity problems. These include rigorous monitoring of the net working capital position of the Company to ensure that current asset - current liability maturities are adequately matched with temporary mismatches being covered through short-term borrowings. In addition, all out recovery efforts were made throughout FY09 to ensure availability of products in the country. As a result of these measures, the Company received Rs. 167 billion from the power sector and Rs. 39 billion on account of PDC from GoP.

Dividend and other appropriations

As a result of the prevailing circular debt crisis coupled with the cumulative loss during the year, the board has decided not to announce any dividend in respect of 4QFY09. However, interim dividend declared during FY09 aggregated to Rs. 5 per share translating into a total payout of Rs. 858 million to the shareholders. There were no other appropriations during the year.

Other Matters

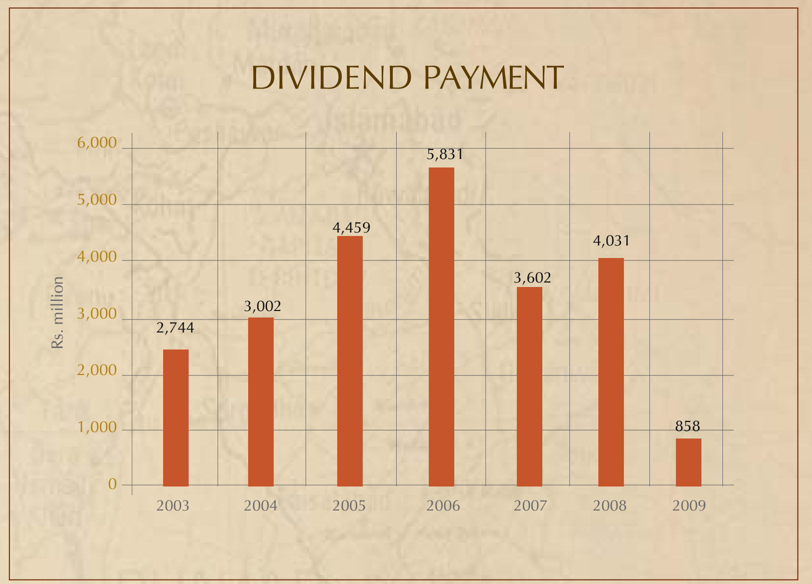
We would like to draw your attention to the following notes in the financial statements which contain the information and explanations to matters highlighted by the External Auditors in thier Audit Report:

- 11.2 - Overdue balance of Rs. 8,766 million from Hubco
- 14.1 - Import price differential aggregating to Rs. 1,465 million receivable from the Government of Pakistan
- 14.2 - Import price differential on motor gasoline aggregating to Rs. 1,044 million receivable from the Government of Pakistan
- 14.4 - Price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) aggregating Rs. 3,407 million receivable from the Government of Pakistan
- 24.1.2 - Appeal filed in the Supreme Court of Pakistan against the order of the High Court of Sindh with respect to tax liability of Rs. 958 million in respect of Assessment years 1996-97 and 1997-98

FUTURE PROJECTS

E10 Gasoline

PSO is working at a fast pace for the commercial launch of Ethanol Blended Petrol 'E10 Gasoline' in major cities of the country. The new fuel 'E10 Gasoline' formulated by blending ten percent ethanol with petrol has been introduced as part of the government's strategy to promote alternate energy resources. This will not only help the country in reducing its import bill in the coming years but will also provide motorists with an economical fuel option.



Bio Diesel

PSO initiated research and development work on bio diesel during FY08. Tests have been conducted on vehicles and generators. The Company is now in consultation with the Government of Sindh, the Government of Balochistan, the Ministry of Petroleum & Natural Resources, the Ministry of Food Agriculture & Live Stock, the Alternate Energy Development Board, the Pakistan Agriculture Research Council, and the Small and Medium Enterprise Development Authority to make further inroads in this important area which has the potential to save precious foreign exchange for the country.

Developmental Initiatives/Business Process Re-engineering

Steps towards implementing a paperless office environment:

Electronic Approval Systems

The Companywide implementation of the Lotus Notes workflow applications is a revolutionary change in PSO's corporate culture. It provides the ability to automate, manage and monitor business processes and helps reduce the burden of paper-based work as it has accelerated the approvals process significantly. Paperless environment will no longer be a mere cliché as every business process will eventually be made electronic. During the year, a series of applications were developed. These include Gate pass Request, E-Recruitment, Joining Report, Mobile Requisition Form, Material Creation Form and Note for Approval Application. SAP Authorization through Lotus Notes was implemented in September 2008.

Procurement Process Automation

The Procurement and Services Department with the support of the IT Department has successfully launched and implemented Procurement Process Automation (PPA) – a Lotus Notes application for electronic approvals of Purchase Requisitions, Technical Evaluation and P&S Approval Notes. This system is a step to achieve efficiencies in the procurement processes.

The scope of the PPA is to review and award approvals required for Purchase Requisitions, Technical Evaluation Reports and Note for Approvals. Salient features of this application are:

- Efficiency in completion of Procurement Cycle resulting in considerable timesaving,
- Provision of a single comprehensive platform for all concerned signatories for review of documents and awarding approvals electronically,
- Aiming towards a paperless environment,
- Inculcating effectiveness in terms of document tracking, status reviews and processing times at all levels.

Formal training sessions were conducted in four major cities, namely Karachi, Multan, Lahore and Islamabad where more than 125 key users of various locations all over Pakistan were trained on the usage of this application.

Capital Budget: Automation of budget appropriation

A Lotus Notes based application for the electronic approval of capital expenditure sanction has been formulated in line with the paperless environment objective of PSO. IS department along with the Corporate Planning department conducted a training session/demonstration of the said automation. The system went live in January 2009.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

PSO's Board of Management is fully cognizant of its responsibility as recognized by the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP). The following are the comments on the 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 account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and departure, if any, have 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.
- The key operating and financial data of the last six years in summarized form is annexed.
- The following is the value of the investments of provident and pension, gratuity funds based on their respective un-audited accounts as on 30 June, 2009.

	Rs Million
PSOCL Management Employees' Pension Fund	1,371
PSOCL Workers' Staff Pension Fund	879
State Oil Co Ltd Staff Provident Fund	996
State Oil Co Ltd Employees' Provident Fund	735
PSOCL Employees' Gratuity Fund	564

- During the year, 7 meetings of the Board of Management were held and the attendance by each member is given on Page 141.
- The pattern of shareholding is annexed.

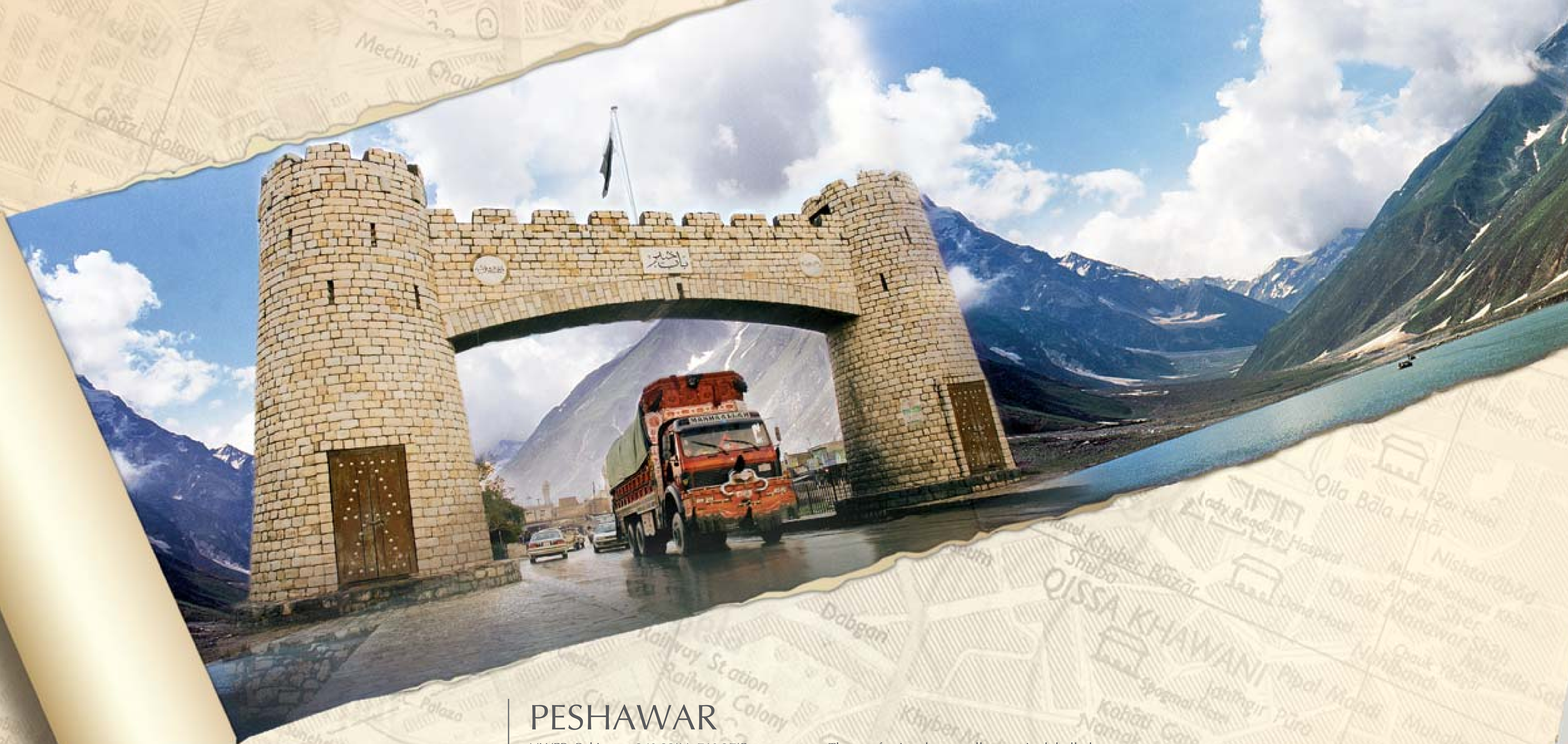
ASSOCIATED COMPANIES

Asia Petroleum Limited (APL)

APL was incorporated in Pakistan as an unlisted public limited company on July 17, 1994. The Company has been principally established to transport "Residual Fuel Oil" (RFO) to the Hub Power Company Limited (HUBCO) at Hub, Balochistan. For this purpose, the Company laid an underground oil pipeline starting from Pakistan State Oil Company Limited's (PSO) Zulfiqarabad terminal at Pipri to HUBCO at Hub. PSO holds a 49% equity stake in APL.

Pak Grease Manufacturing Company (Private) Limited (PGMCL)

PGMCL was incorporated in Pakistan on March 10, 1965 as a private company. The principal activity of the Company is to manufacture and sell petroleum grease products. PSO holds a 22% equity stake in PGMCL.



PESHAWAR

NWFP, Pakistan - 34° 02'N, 71° 37'E

Peshawar is the capital of the North-West Frontier Province and the administrative centre for the Federally Administered Tribal Areas of Pakistan. Located on the edge of the Khyber Pass near the Afghan border, Peshawar is the commercial, economic, political and cultural capital of the Pashtuns in Pakistan.

The Qissa Khawani Bazaar or the romantic 'Street of Story-tellers' extends from west to east in the heart of the city of Peshawar. In days gone by, the bazaar was a camping ground for caravans and military adventures.

The professional storytellers recited ballads and tales of war and love to mobs of traders and soldiers. It is from here that the bazaar gets its name.

Peshawar is famous for its intricate and traditional, hand-detailed copperware and its special green tea.

With 308 outlets across Peshawar, PSO is the trusted choice of both residents and long-haul transporters alike.

Lubricants - The leading automotive lubricant brands of PSO are Carient and DEO which cater to the engine requirements of cars, buses and trucks.

Copperware - The Old City and its traditional markets offer exquisite ethnic brass and intricate hand-detailed copperware.

OUTLOOK AND CHALLENGES

PSO has been geared towards addressing and meeting the energy challenges of the country in the face of the limited domestic refining capacity that has resulted in the import of refined products. The future energy demand in Pakistan is expected to grow, which is largely due to the expected natural gas constraints for the power generation sector and a reduction in hydro-electric potential. In an economic environment that is marred by mounting circular debt, the Company has been successful in fulfilling the energy demand of the country with its prudent utilization of resources.

Driven by the commitment to ensuring product availability to all sectors of the economy, the Company will continue to import the deficit products in a cost effective and timely manner, effectively saving valuable foreign exchange for the country.

PSO's future performance will be reliant on cost savings, increased sales and high operating efficiencies. Various initiatives have already been introduced with the ultimate aim of generating sustainable earnings by focusing on different operational areas and business diversification.

The Company is fully aware of the challenges faced by its lubricants business and, to address these, we have already launched promotional campaigns to create awareness of our range of lubricants in the market. In the long-term, the Company will continue to enhance its brand equity with aggressive and focused marketing efforts that will utilize the print and electronic media and will strengthen the Company's visibility. The aggressive pursuit of market development and penetrating strategies for its lubricants and the strife to increase its participation in the years to come is also one of PSO's primary goals.

With a full awareness of the changing global trends in the development of alternative and renewable energy resources, PSO has pioneered the Ethanol blended fuel, E-10, in the country. This growing network will continue to expand with the resolution of certain back-end issues including product pricing. The Company has also commenced development work on bio-diesel and tests to blend it with conventional diesel are now in their advanced stages.

We would like to take advantage of this opportunity to thank our business partners and those who continue to steer the company forward with their support and conviction in PSO. Our growing PSO family includes dealers and cartage contractors, employees and the shareholders who have played a vital role in making all our efforts successful. We owe a special gratitude to the Government of Pakistan, especially the Ministry of Petroleum & Natural Resources, for their unwavering support throughout the fiscal year. As we continue our journey down the road towards achieving bigger and better things in the future, we look forward to another year of accomplishment and to creating more value for all our stakeholders while working to meet and exceed the country's growing demand for energy.

Irfan K. Qureshi
Managing Director

Sardar M. Yasin Malik
Chairman

Karachi: August 12, 2009

Notice of Annual General Meeting

Notice is hereby given that the Thirty Third Annual General Meeting of the Company will be held at Hotel Pearl Continental, Club Road, Karachi on Tuesday, September 29, 2009 at 11.00 AM to transact the following business:

Ordinary Business

1. To confirm the minutes of the Thirty-Second Annual General Meeting held on October 15, 2008.
2. To receive and adopt the audited accounts for the year ended June 30, 2009 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 M. Yousuf Adil Saleem & Co. and Messrs KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Company, for the year ending June 30, 2010.
4. To approve payment of 50% interim dividend already paid for the financial year ended June 30, 2009.

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: 20, August, 2009

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 September 21, 2009 to September 29, 2009 (both days inclusive). Transfers received in order at the office of 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 19th September, 2009 will be considered in time for transfer.
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 the 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 holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport along with the Participants ID number and their account number at the time of attending the meeting.

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

B. For appointing proxies:

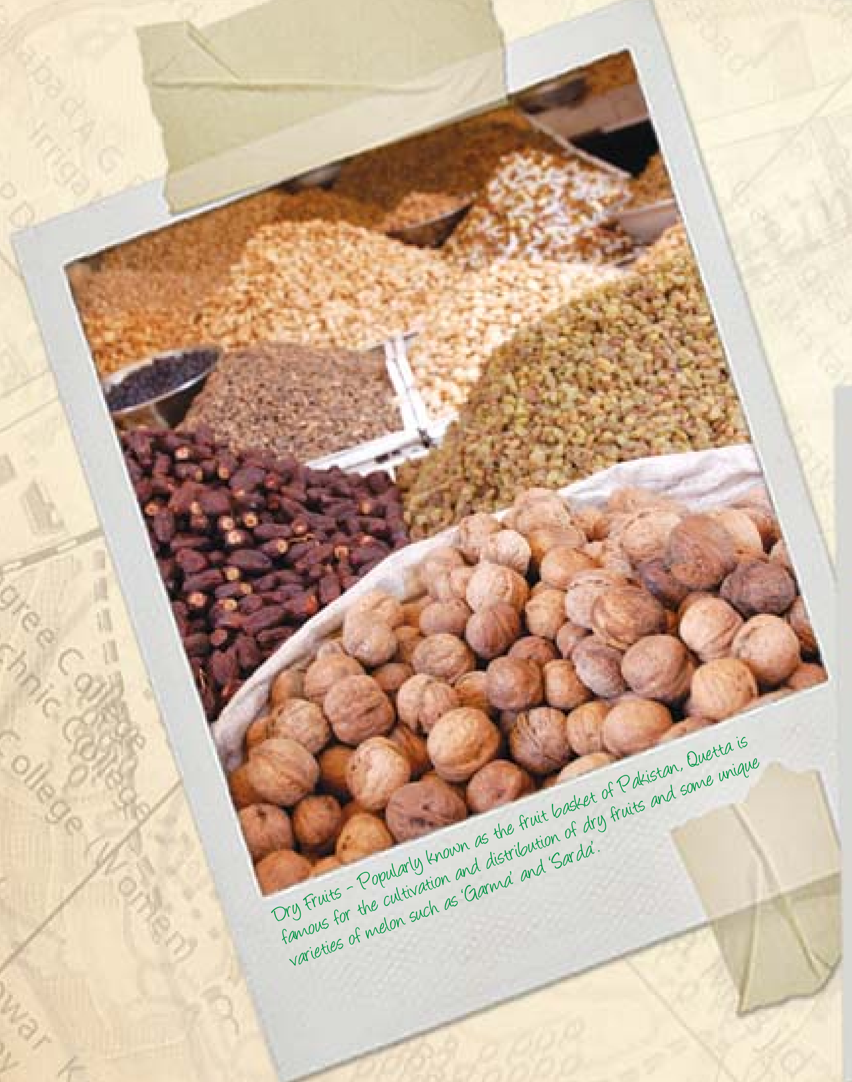
i) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.

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

iii) Attested copies of the CNIC 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 CNIC or original passport at the time of the meeting.

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



Dry Fruits - Popularly known as the fruit basket of Pakistan, Quetta is famous for the cultivation and distribution of dry fruits and some unique varieties of melon such as 'Garma' and 'Sarda'.

Imports - To meet the supply deficit in the country the OMCs import more than 9 million metric tons of the white and black oil products whereby PSO has the lion's share of imports accounting for more than 80 percent.

QUETTA

Balochistan, Pakistan - 30° 15'N, 66° 55'E

Quetta is the largest city and the provincial capital of the Balochistan Province of Pakistan. It is an important marketing and communications centre for Pakistan with the neighbouring countries of Iran and Afghanistan. The encircling hills have the resounding names of Chiltan, Takatoo, Murdar and Zarghun.

Hanna Lake nestles in the hills ten kilometres (six miles) east of Quetta, a startling turquoise pool within bare brown surroundings.

The Ziarat residence, where the Quaid-e-Azam Mohammed Ali Jinnah lived and spent his last days is also situated in the proximity of Quetta.

Situated at an elevation from 1,676 to 1,900 meters above sea level, Quetta is referred to as the fruit basket of Pakistan as it is famous for the cultivation and distribution of dry fruits.

The Quetta district has 166 PSO retail outlets establishing PSO as a key provider of POL products in the city.

Pakistan State Oil Company Limited

MCS-001

12 August 2009
Ref.: PSO- 184

FORM-3

Secretary,
Karachi Stock Exchange,
(Guarantee) Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.
Fax # 021-111-573-329
email: corpaction@kse.com.pk

Secretary,
Lahore Stock Exchange,
(Guarantee) Limited,
19, Khayaban-e-Aiwan-Iqbal
Lahore
Fax # 042-111-441-441

Secretary,
Islamabad Stock Exchange,
(Guarantee) Limited,
Stock Exchange Building,
01-E, Fazal-ul-Haq Road,
Blue Area, Islamabad.
Fax # 051-2275044

Dear Sirs

FINANCIAL RESULTS FOR FINANCIAL YEAR ENDED JUNE 30, 2009

This is to inform you that the Board of Management of the Company, in their meeting held today at Karachi reviewed the financial results of the Company.

FINANCIAL RESULTS

The financial results of the company are as follows:

	Jul-Jun 2009	Jul-Jun 2008
	Rupees '000	
Gross sales	719,282,176	583,213,959
Sales tax and IFEM	(106,586,587)	(87,935,426)
Net sales	612,695,589	495,278,533
Cost of products sold	(609,685,478)	(465,254,907)
Gross profit	**3,010,111**	**30,023,626**
Other operating Income	1,451,666	1,396,527
	4,461,777	31,420,153
Operating expenses	(10,815,121)	(7,714,147)
WPPF & WWF	-	(1,568,874)
	(10,815,121)	(9,283,021)
Other Income	776,686	313,860
(Loss) / Profit from operations	(5,576,658)	22,450,992
Finance Cost	(6,232,056)	(1,367,898)
	(11,808,714)	21,083,094
Share of profit of associates	451,850	294,318
(Loss) / Profit before tax	(11,356,864)	21,377,412
Taxation	4,658,329	(7,323,617)
(Loss) / Profit after tax	**(6,698,535)**	**14,053,795**
	Rs	
(Loss) / Earnings per share	**(39.05)**	**81.94**

Pakistan State Oil Company Limited

MCS-01A
Continuation Sheet

Ref: PSO – 184

The Annual General Meeting of the Company will be held on Tuesday, September 29, 2009 at Karachi. Time and venue of the meeting will be communicated later.

The share transfer books of the Company will remain close from Monday, September 21, 2009 to Tuesday, September 29, 2009 (both days inclusive). Transfers received in order upto close of business on Saturday, September 19, 2009 at the office of our Registrar, THK Associates (Pvt.) Ltd., Ground Floor, State Life Building No.3. Dr. Ziauddin Ahmed Road, Karachi, will be considered in time for transfers.

The Financial Statements of the company will be placed on the company website i.e. http://www.psopk.com and 300 copies will be sent to you for distribution amongst the members of the Exchange.

Kindly inform Members of your Exchange accordingly.

Yours truly,
BY ORDER OF THE MANAGING DIRECTOR & CEO

AMJAD PARVEZ JANJUA
COMPANY SECRETARY