Pakistan Oilfields Limited

Annual Report & Financial Statements 2008

Contents

Vision

To be the leading oil and gas exploration and production Company of Pakistan with the highest proven hydrocarbon reserves and production, and which provides optimum value to all stakeholders.

Mission

We aim to discover and develop new hydrocarbon reserves and enhance production from existing reserves through the application of the best available technologies and expertise.

In achieving our aim, we will maximize the return to our shareholders, fully protect the environment, enhance the well-being of our employees and contribute to the national economy.

Record Performance

In 2008, the Company achieved the best financial results of its history.

The Company's profit of Rs 8.616 billion, up by 45.07% over last year, was the highest ever in its history.

Financial Highlights

Net sales	(Rs in million)
2008	16,739
2007	14,239
2006	14,650
	+17.56%

Exploration, development and workover expenditure	(Rs in million)
2008	3,474
2007	2,908
2006	2,718
	+42.05%

Profit after tax	(Rs in million)
2008	8,616
2007	5,939
2006	6,126
	+45.07%

The Company continues to play a vital role in the oil and gas sector of the country. During the year The Company saved foreign exchange for the country in excess of US$ 370 million (2007 : US$ 278 million).

Earnings per share	(Rs per share)
2008	43.71
2007	30.13
2006	31.08
	+45.07%

Corporate Information

Directors

Dr. Ghaith R. Pharaon
Alternate director: Mr. Shuaib A. Malik

Mr. Laith G. Pharaon
Alternate director: Mr. Babar Bashir Nawaz

Mr. Wael G. Pharaon
Alternate director: Mr. Bashir Ahmad

Mr. Arif Kemal

Mr. Abdus Sattar

Mr. Muhammad Najam Ali

Mr. Shuaib A. Malik
Chairman

Mr. Sajid Nawaz
Chief Executive

Company Secretary

Bilal Ahmad Khan

Audit Committee

Mr. Abdus Sattar

Mr. Babar Bashir Nawaz
(Alternate director to Mr. Laith G. Pharaon)

Mr. Bashir Ahmad
(Alternate director to Mr. Wael. G. Pharaon)

Auditors and Tax Advisor

A.F. Ferguson & Co.,
Chartered Accountants

Legal Advisors

Khan & Piracha
Ali Sibtain Fazli & Associates

Registered Office

Pakistan Oilfields Limited
P.O.L. House, Morgah, Rawalpindi
Telephone: +92 51 5487589-97
Fax: + 92 51 5487598-99
E-mail: info@pakoil.com.pk
Website: www.pakoil.com.pk

Shareholder Enquiries

For enquiries about your shareholding, including information relating to dividends or share certificates, please:

E-mail to: cs@pakoil.com.pk
or
Write to: The Company Secretary,
Pakistan Oilfields Limited
P.O.L. House, Morgah, Rawalpindi, Pakistan

Annual Report

The annual report may be downloaded from the Company's website:
www.pakoil.com.pk
or
printed copies obtained by writing to:
The Company Secretary,
Pakistan Oilfields Limited
P.O.L. House, Morgah, Rawalpindi, Pakistan

Board of Directors

Ghaith R. Pharaon

Shuaib A. Malik
Chairman
(Also alternate director to
Dr. Ghaith R. Pharaon)

Laith G. Pharaon

Wael G. Pharaon

Arif Kemal

Abdus Sattar

Muhammad Najam Ali

Babar Bashir Nawaz
(Alternate director to
Mr. Laith G. Pharaon)

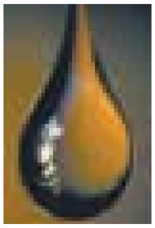
Bashir Ahmad
(Alternate director to
Mr. Wael G. Pharaon)

Sajid Nawaz
Chief Executive

Strategy. Pakistan Oilfields Limited is a growth oriented leading exploration and production company of Pakistan. Our prime focus is to deliver performance through excellence in the field of exploration and exploitation. We plan to increase our current level of oil and gas production through the application of innovative technology to obtain maximum productivity. Our long term goal is to sustain production by regularly adding new reserves. Our ultimate goal is to maximize returns to our shareholders and provide optimum value to all stakeholders.

Products

Crude Oil



An oily, flammable liquid that occurs naturally in deposits, usually beneath the surface of the earth. It consists principally of a mixture of hydrocarbons, with traces of various nitrogenous and sulphurous compounds. During the past 600 million years, incompletely decayed plant and animal remains have become buried under thick layers of rock. It is believed that petroleum consists of the remains of these organisms but it is the small microscopic plankton organism remains that are largely responsible for the relatively high organic carbon content of fine-grained sediments which are the principle source rocks for petroleum.

Little use other than as lamp fuel was made of petroleum until the development of the gasoline engine and its application to automobiles, trucks, tractors and airplanes. Today the world is heavily dependent on petroleum for motive power, lubrication, fuel, dyes, drugs and many synthetics.

Solvent Oil

Solvent oil is one of the five major oil products closely related to people's daily life. Its application sectors also have a constant expansion. There are also extensive uses in rubber, leather and adhesive sectors.

LPG

LPG is a mixture of gases, chiefly propane and butane, produced commercially from petroleum and stored under pressure to keep it in a liquid state. The boiling point of liquefied petroleum gas varies from about -44°C to 0°C, so that the pressure required to liquefy it is considerable and the containers for it must be of heavy steel. Common uses are for cooking and heating and lighting. It is also used for powering automotive vehicles. LPG is an attractive fuel for internal-combustion engines because it burns with little air pollution and little solid residue.

Sulphur

Solid Sulphur occurs principally in three forms, all of which are brittle, yellow in color, odorless, tasteless, and insoluble in water. It is a chemically active element and forms many compounds, both by itself (sulfides) and in combination with other elements. It is part of many organic compounds.

Sulphur is used in black gunpowder, matches and fireworks; in the vulcanization of rubber; as a fungicide and insecticide; and in the treatment of certain skin diseases. The principal use of Sulphur is in the preparation of its compounds. The most important Sulphur compound is Sulphuric acid.

Natural Gas

Natural mixture of gaseous hydrocarbons found issuing from the ground or obtained from specially driven wells. The composition of natural gas varies in different localities. Its chief component, methane, usually makes up from 70% to 95% and the balance is composed of varying amounts of ethane, propane, butane and other hydrocarbon compounds. Although commonly associated with deposits, it also occurs separately in sand, sandstone and limestone deposits. Some geologists theorize that natural gas is a byproduct of decaying vegetable matter in underground strata, while others think it may be primordial gases that rise up from the mantle. Because of its flammability and high calorific value, natural gas is used extensively as an illuminant and a fuel.

Chairman's Statement

In the name of Allah, most gracious, most merciful

Assalam-u-Alaikum,

On behalf of the Board of Directors, it gives me immense pleasure to welcome you to the Fifty Seventh Annual General Meeting of the Company and to present the Company's Annual Report and Audited Financial Statements for the year ended June 30, 2008.

Results

During 2008 the Company continued to enhanced its profitability and I am pleased to report another year of record profitability. This year's profit after tax of Rs 8.616 billion, up by 45.07% from Rs 5.939 billion last year, is the highest ever in the history of the Company. Earnings per share increased from Rs 30.13 last year to Rs 43.71 for the current year.

There is a decline in sales volumes of crude oil. However, relatively higher prices of all major products but specially crude oil and booking of capital gains on sale of shares of Attock Petroleum Limited offset the impact of the lower crude oil sales.

The Company invested Rs 1,348 million in the development of existing producing fields as against Rs 1,197 million in 2007. The Company also invested Rs 1,933 million in the exploration activities (including Exploration and Evaluation Assets) as against Rs 1,289 million in 2007. The level of spending represented 20% of net revenues underlining the importance, the Company places on growing its business.

The results of the Company's operations are dealt with in more detail in the annexed Directors' Report and Financial Statements.

Dividend

The Directors have recommended a cash dividend of Rs 16 per share (2007: Rs 15 per share) and issuance of bonus shares in the ratio of one bonus share for every five (2007: nil) shares held by capitalization of Rs 394.24 million out of free reserve of the Company.

We have entered the new financial year with continued optimism and confidence but are even more confident about the ability of our team to deliver results and success over the long term.

Reserve

Board has approved to transfer gain on sale of investments amounting to Rs 1,557.8 million as Investment Reserve to meet any future losses / impairment on investments.

Directors

Election of directors took place in the Extra Ordinary General Meeting held on June 20 2008, where Dr. Ghaith R. Pharaon, Messrs Laith G. Pharaon, Wael G. Pharaon, Shuaib A. Malik, Abdus Sattar, Arif Kemal and Muhammad Najam Ali were elected as directors of the Company for a period of three years. Later your Board appointed Mr. Sajid Nawaz as Chief Executive of the Company.

Our people

I would like to sincerely thank all my Board colleagues, management and employees for their support and hard work over a year.

Outlook

During the past year the oil and gas industry has been characterised by continued high demand, supply constraints, geo-political uncertainties and consequent sustained strong commodity prices. Business environment is challenging and any significant price variance would also effect profitability. The Company is trying through aggressive development and exploration program to enhance reservoir in an effort to maximize production and raise ultimate recovery performance from mature reservoirs.

We plan to acquire more exploration acreage through both bidding and farm-in opportunities as well as to acquire producing properties, if available, both within and outside the country.

We have entered the new financial year with continued optimism and confidence but are even more confident about the ability of our team to deliver results and success over the long term.

We will continue to build upon our record of corporate social responsibility and of our legacy of contributing to the well being of the communities in which we operate. We reaffirm our commitment to the highest ethical standards and to our heritage of strong corporate governance in our pursuit of delivering greater shareholder value.

Shuaib A. Malik
Chairman

Damascus, Syria
October 08, 2008

The Company invested
Rs 1,933 million in the exploration activities
(including Exploration and Evaluation Assets)
as against Rs 1,289 million in 2007.

Core Values

Leadership

POL values leadership qualities with the necessary managerial and professional competence coupled with integrity, energy and the drive to challenge the status quo.

Continuous quality improvement

We strongly believe that quality and an unyielding commitment to continuous improvement are indispensable ingredients to achieving success. At POL, we encourage and promote an environment conducive to the development of breakthrough ideas leading to innovative solutions.

Ethics and integrity

Honesty, ethical behaviour and integrity combined with the highest professional and personal standards form the cornerstone of all our activities.

Profitability

We believe in maximizing the return to our shareholders and enhancing the long term profitability of the Company through the application of the best available technology and expertise.

Employees, growth and development

We believe in the creation of an environment focused on encouraging and empowering employees to contribute to the Company's success through personal growth and development.

Community involvement

We strongly believe actively involving the communities in which we operate for the advancement of their cultural and social life.

Safety, health and environment

We care about the health and safety of our employees and of the communities in which we conduct our business. We remain deeply committed to respect and protect the environment.

Code of Conduct

It is the Company's policy to conduct its operations in accordance with the highest business ethical considerations, to comply with all statutory regulations and to conform to the best accepted standards of good corporate citizenship. This policy applies to all directors and employees of the Company regardless of function, grade or standing.

- The Company's activities and operations will be carried out in strict compliance with all applicable laws and the highest ethical standards. The directors and employees will ensure that the Company deals in all fairness with its customers, suppliers and competitors.

- Employees, irrespective of their function, grade or standing, and the directors must avoid conflict of interest situations between their direct or indirect (including members of immediate family) personal interests and the interest of the Company.

- Employees must notify their direct supervisor of any actual or potential conflict of interest situation and obtain a written ruling as to their individual case. In case of directors, such ruling can only be given by the Board, and will be disclosed to the shareholders.

- The directors and employees may not take advantage of the Company's information or property, or their position with the Company, to develop inappropriate personal gains or opportunities. They may, however, receive gifts of token value or accept invitations only if such gifts or invitations have no influence on their decision making and are not illegal under any applicable law. No director or employee may receive from any customer, supplier or business associate of Pakistan Oilfields Limited cash, gifts or invitations with other than nominal monetary value.

- Trading by directors and employees of the Company in Pakistan Oilfields Limited shares is possible only in accordance with the more detailed guidelines issued from time to time by corporate management in accordance with applicable laws.

- In its relations with governmental agencies, customers and suppliers, the Company will not, directly or indirectly, engage in bribery, kick-backs, payoffs, or any other corrupt business practices.

- The use, directly or indirectly, of Company funds for political contributions to any organization or to any candidate for public office is strictly prohibited.

- Corporate funds and assets will be utilized solely for lawful and proper purposes in line with the Company's objectives.

- No false or artificial entries shall be made in the Company's books and records for any reason, and all financial transactions must be accurately and properly accounted for in the books and records.

- All benefits provided to the directors and employees of Pakistan Oilfields Limited in addition to their standard remuneration will be awarded in full compliance with the Company's official policies.

- Pakistan Oilfields Limited will respect the privacy of data relating to individual persons (whether employees or third parties) which it may hold or handle as part of its information processing activities or otherwise.

- Employees will maintain the confidentiality of the Company's and its customers' confidential information which is disclosed to them.

- Pakistan Oilfields Limited will support a precautionary approach to environmental challenges, and, within its sphere of influence, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies.

- Pakistan Oilfields Limited will support and respect the protection of international human rights within its sphere of influence, in particular the effective elimination of all sorts of compulsory labour and child labour, and it will make this a criterion in the choice and management of its suppliers and sub-contractors.

- Pakistan Oilfields Limited will not discriminate against any employee for any reason such as race, religion, political convictions or sex, and will treat everyone with dignity and with full respect for their private lives. This is expected also to apply to relations between members of personnel.

We believe in maximizing the return to our shareholders and enhancing the long term profitability of the Company through the application of the best available technology and expertise

Sajid Nawaz
Chief Executive

Management

Various committees have been constituted to look after the operational and financial matters of the Company. A brief description of the composition and terms of reference of the various committees are as follows:

Executive Committee

The Committee meets under the chairmanship of the Chief Executive to coordinate the activities and operations of the Company.

Review and Appraisal Committee

The Review and Appraisal Committee is responsible for ensuring that procurement of assets, goods and services is made in accordance with Company policies and procedures on competitive and transparent terms.

Risk Management Committee

The Risk Management Committee is responsible for ensuring that procedures to identify and continuously update risks are in place. The Committee oversees the process of assessment of the possible impact and likelihood of occurrence of identified risks. The Committee is also responsible for formulating a risk management response to effectively address and manage risks.

Business Strategy Committee

The Business Strategy Committee is responsible for preparing the strategic plan for the future growth of the Company. The Committee also reviews major projects and formulates recommendations after evaluation from technical and commercial aspects.

Systems and Technology Committee

The Systems and Technology Committee is responsible for developing and implementing an IT strategy for the Company. The Committee oversees the automation of processes and systems in line with latest technology. The Committee is also responsible for development of contingency and disaster recovery plans.

Budget Committee

The Budget Committee reviews and approves the annual budget proposals prior to being presented for the approval of the Board. The Committee also monitors utilization of the approved budget.

Safety Committee

The Safety Committee reviews and monitors Company's wide safety practices. It oversees the safety planning function of the Company and is responsible for safety training and awareness initiatives. The Committee is also responsible for publishing the Company's monthly safety newsletter "Safety Bulletin".

Awards

Best Corporate Report Award
2nd Prize in Fuel and Energy Sector
Organized by The Institute of Chartered Accountants of Pakistan and The Institute of Cost and Management Accountants of Pakistan

Environment Excellence Award
Organized by Governing Body of National Forum for Environment and Health

Global Compact

Global Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption enjoy universal consensus. Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

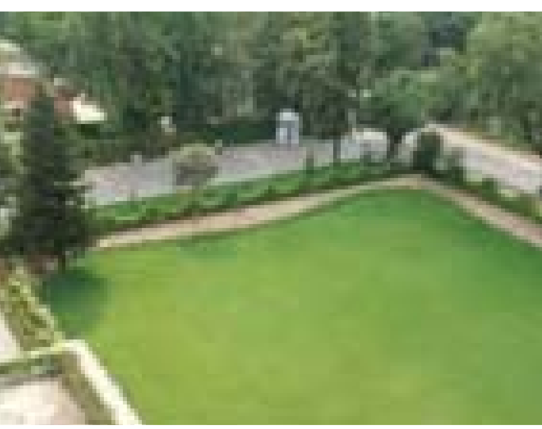
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labor;
Principle 5: the effective abolition of child labor; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

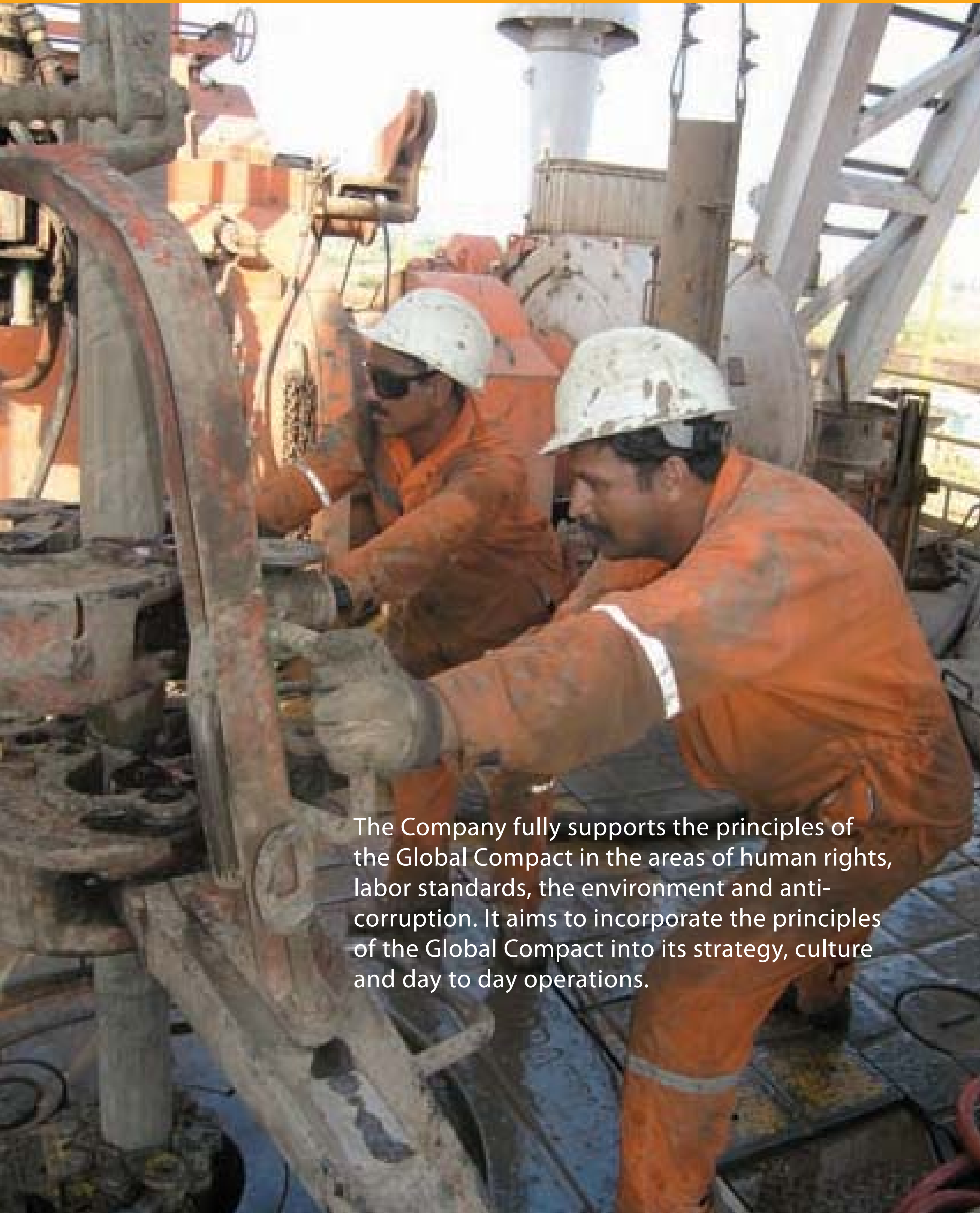
Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.





The Company fully supports the principles of the Global Compact in the areas of human rights, labor standards, the environment and anti-corruption. It aims to incorporate the principles of the Global Compact into its strategy, culture and day to day operations.

Directors' Report

The Directors have pleasure in presenting their Annual Report and Audited Financial Statements of the Company for the year ended June 30, 2008.

Financial Results

These are summarized below:	Rs ('000)
Profit for the year after providing for all expenses including depreciation, exploration, amortization and workers' funds.	11,420,711
Less: provision for taxation	2,804,217
Profit after tax	8,616,494

The financial results of your Company showed a continuation of positive trend. Profit after tax for the year increased by 45.07% to Rs.8,616 million (2007: Rs 5,939 million) which is the highest ever profit in the Company's history and another consecutive year of record breaking results. Earnings per share increased from Rs. 30.13 to Rs. 43.71 per share as compared to last year. During the year the Company has booked capital gains on the sale of share of Attock Petroleum Limited valued Rs.1,558 million and subsequently re-purchased the same number of shares at an average price of Rs. 464 per share.

During the year oil prices further strengthened. The average crude oil price increased by 47.1%, gas price increased by 5.3%, POLGAS price increased by 18%, solvent oil price increased by 9.9% and sulphur price increased by 272.3% as compared to last year. Crude oil sales volumes decreased by 13.1%, Gas by 5.1% and POLGAS 6.5%. The cumulative effect of the price increase and the decrease in volumes has led to an increase of 17.6% in net sales to Rs 16,739 million.

Cost of sales increased by 8.2% to Rs. 6,156 million primarily due to the increase in the purchase cost of LPG acquired for POLGAS operations, higher amortization due to higher development activities and higher depreciation and royalty.

The contribution to the national exchequer in the shape of royalty and other government levies was Rs 5,832 million (2007: Rs 5,579 million)

The Company is in the continuous process to improve its reserve based through aggressive exploration activities. Enhanced exploration activities are under progress in Kirther South Block, TAL Block, Ikhlas and Margala and Margala North Blocks. The details of the exploration activities are covered in detail by each geographical area later in this report.

An amount of Rs 521.9 million has been set aside for Workers' Profit Participation Fund and Rs.125 million for Workers' Welfare Fund. Other operating income increased by 52.4% to Rs 1,392 million. This increase is mainly due to good returns on bank deposits, dividend income from subsidiary and associated companies and profit on disposal of available-for-sale investment. Taxation charge for the year increased by Rs 1,047 million, representing an increase of 59.6% in comparison to last year.

Reason and Effect of Change in Accounting Policy

Effective July 01, 2007 the Company has changed its accounting policy related to the treatment of exploration assets/costs. Previously, exploration assets/costs expenses as incurred but were capitalised related to discovery of oil and gas reserves and in respect of which commercial discovery was declared.

As per the new policy, all exploration costs, other than those relating to exploratory drilling, are charged to income as incurred. Exploratory drilling costs i.e. costs directly associated with drilling of an exploratory well, are initially capitalised pending determination of proven reserves. These costs are either charged to income if no proved reserves are found or transferred to development costs if proved reserves are found. The change in accounting policy has been accounted for retrospectively.

Management believes that the application of the new policy will provide more relevant information consistent with industry practice making the Company's financial statements more comparable. The change in accounting policy has been accounted for retrospectively and comparative figures have been restated. Effect of change has been disclosed in note- 4.9.4.

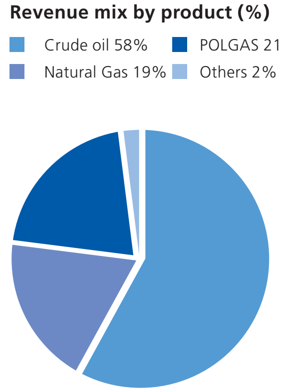
Cash flows

Cash flows provided from operating activities remained strong at Rs 9,140 million were 65.5% higher as compared to last year. The increase is due to the higher sales. Net cash out flow from investing activities was Rs 2,129 million, which was mainly due to fixed assets additions and netted off with inflow of income on bank deposits and held-to-maturity investment and dividend income received.

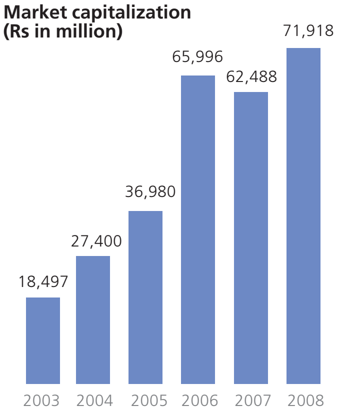
Contribution Towards The Economy

The Company continues to play a vital role in the oil and gas sector of the country. During the year the Company saved foreign exchange for the country in excess of US$ 369.5 million (2007 : US$ 277.6 million) The contribution to the national exchequer in the shape of royalty and other government levies was Rs 5,832 million (2007: Rs 5,579 million).

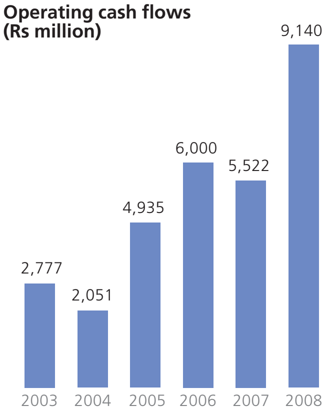
Revenue mix by product (%)



Market capitalization (Rs in million)



Operating cash flows (Rs million)



Dividend

The Directors have recommended a cash dividend of Rs 16 per share (2007: Rs 15 per share) and issuance of bonus shares in the ratio of one bonus share for every five (2007: nil) shares held by capitalization of Rs 394.24 million out of free reserve of the Company.

Reserve

Board has approved to transfer gain on sale of investments amounting to Rs 1,557.8 million as Investment Reserve to meet any future losses /impairment on investments.

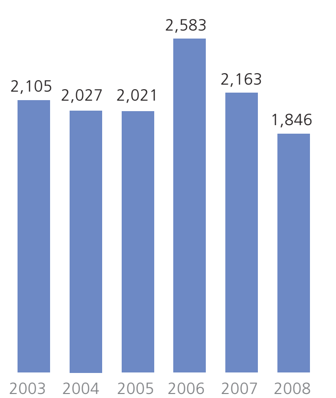
Production

The following is a comparison of production from the Company's 100% own fields and its share from all operated and non-operated joint ventures:

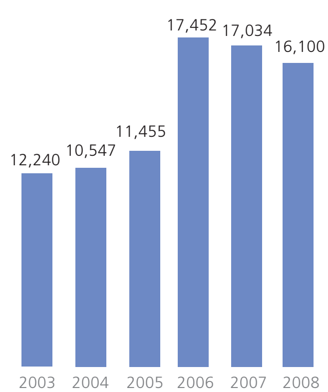
	2007 - 08	2006 - 07
Crude Oil/Condensate (US Barrels)	**1,846,330**	2,163,400
Gas, Million (Million Cubic Feet)	**16,100**	17,034
LPG (Metric Tones)	**42,703**	43,328
Sulphur, Metric tones (Metric tones)	**2,720**	2,825
Solvent Oil, US Barrels (Barrels)	**37,319**	43,186

POL's share in production including that from non-operated joint ventures for the period under review averaged at 5,045 barrels of crude oil per day (bopd) and 43.99 million standard cubic feet per day (mmscfd) of gas, 102 barrels per day (bpd) of solvent oil and 116 metric tones per day (mtd) of LPG.

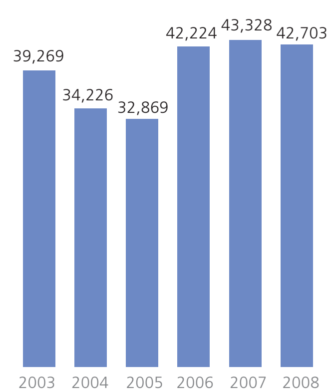
Crude oil production (barrels thousand)



Gas production (million cubic feet)



LPG production (metric tons)



Operations Review and Future Prospects

Own Producing Fields

Meyal

At Meyal-8 well, a gauge was run to identify plugging in the tubing and well bore due to saline water being produced from the well. The tool did not pass below 12,346 ft. Samples of plugging material were collected for analyses prior to further action.

At Meyal-17 well, successful rigless workover was conducted to plug water producing perforations. The well was put on production and performing satisfactorily.

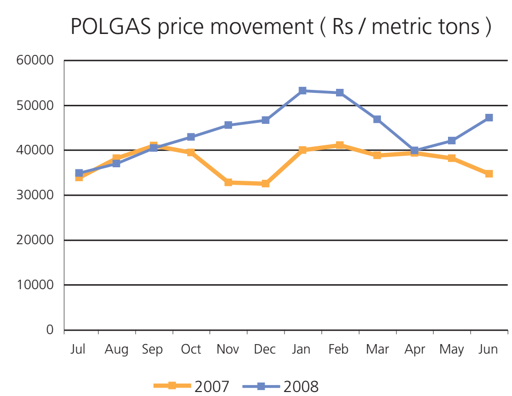
At Meyal-10 well, successful acid stimulation job was carried out in order to increase the water injectivity. After the acid job, the injectivity of well has improved.

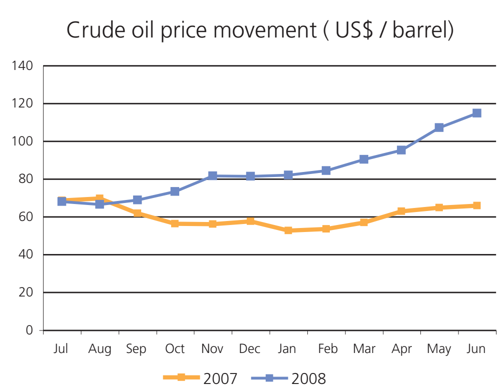
In Uchri Area, Bela-1 well was spudded during March 2008 and presently drilling is in progress.

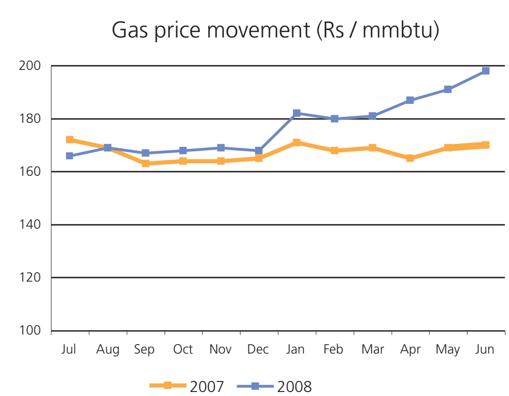
Balkassar

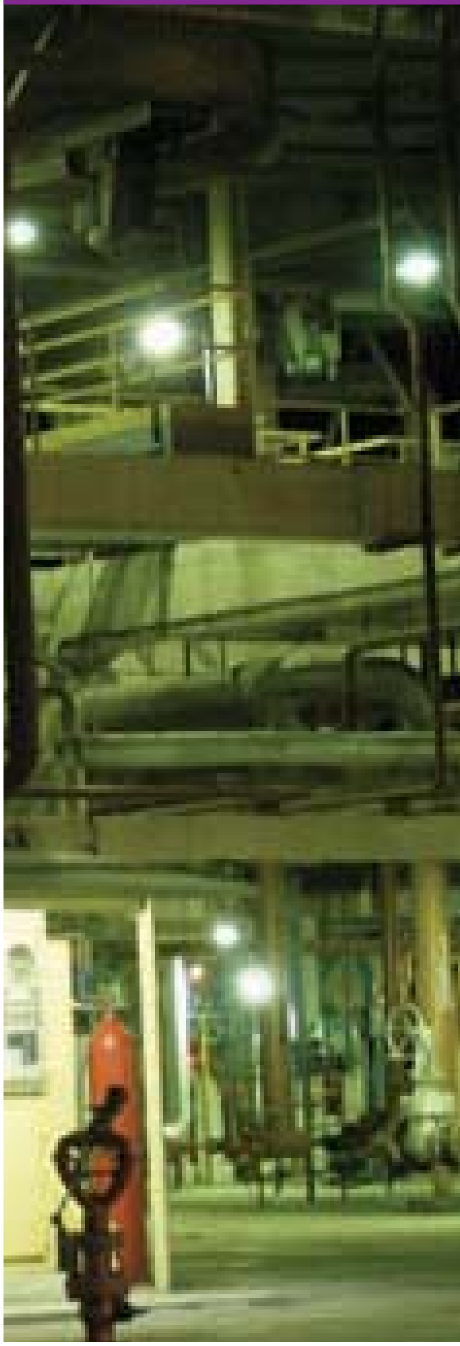
At Balkassar-A3 well, positive displacement pump was replaced with modified jet pump system. However, anticipated optimization in production was not achieved. The well was put back on production with PD pump. Due to increase in operating pressure, S.S. Pump has to be reversed out. Formation fines were recovered from the pumps. Pump was then circulated and well put on production again.

Workover on Balkassar P-2 was commenced on January 10, 2008 to change the BHA sleeve. During the workover, BHP survey was also conducted. The production from the well continued only for 10 days. On February 21, 2008, pump pressure dropped. On reversing, 7.5 feet assembly of pump surfaced and remaining 17 ft. was left in the BHA. Attempts were made with Slick line to retrieve the fish but without success. Completion was therefore pulled out, well recompleted and put on production.









Khaur

At Khaur-21 well, a workover was conducted to put the well on production through oil circulation and sub surface pump. However, no liquid surfaced.

At Khauar-5 well , a workover was conducted to test 3,900 – 4,000 sands. Crude oil was circulated but no contribution from the reservoir was observed.

A workover was conducted on Khaur-8 to test Miocene sands but without any production.

Khaur POL-1 well was drilled to its target depth but was plugged and abandoned after conducting three DST's in the prospective zones.

Dhulian

At Dhulian-39 well, a well intervention job was conducted. Plugging in tubing was observed at 54 ft. Sample of plugging material were collected and clean up job was designed and executed and well put on production.

At Dhulian-10, A Bottom Hole Pressure and temperature survey was conducted.

A workover operation at Dhulian well-43 was carried out and the well was stimulated. The well was put on production with hydraulic pump. It produced only water with no hydrocarbons. Currently the well is shut in and under observation.

Operated Joint Ventures Producing Fields

Soan Concession (Pindori Development & Production Lease)

A PSP job was conducted on Pindori-3. Due to low well head pressures, the well flow was diverted to medium pressure separator system. A workover is being planned to side-track the well in up-dip position at Lockhart Formation.

At Pindori-4, a rapid development of scale within the tubing was observed. Three rigless scale removing jobs were conducted on the well. These all de-scaling jobs improved the production from the well for a short duration. Scales samples are being analyzed to ascertain parameters solution to the problem. Five Bottom Hole Pressure surveys has been conducted from reservoir management.

The well Pindori-6 (ST-2) was re-completed after the workover. Due to low wellhead pressures, the well flow was diverted to medium pressure separator system.

Pindori-7 was spuded on 17th Nov, 2007. Due to drilling problems of complete mud losses and high pressure high volumes of water flows the well has been plugged and abandoned.

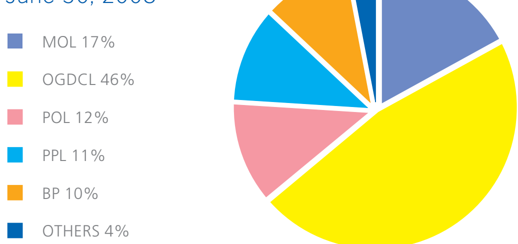
The water injection at WIW-1 was terminated because of injected water breakthrough at Pindori-3. Drilling of Pindori WIW-2A was completed in Lockhart Formation and regular water injection in the well was started on November 16, 2007 at an average injection rate of 10,014 BPD.

The radioactive tracer (C14) was injected through WIW-2A and water samples are being continuously analyzed from each well and to date no tracer break through has been observed at any producing well. Water injection was stopped from WIW-2A since May 8, 2008 to observe the production behavior of the producing wells.

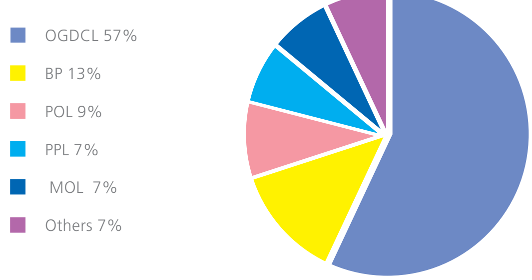
Pindori plant was shut down for annual turn around on September 7-8, 2007. BHP surveys were conducted in Pindori wells during the year for reservoir pressure monitoring and water flooding management.

The Pindori Reservoir Study was initiated in July 2007. It consisted of two phases. The Phase-I was completed in September 2007 by M/S Fugro Robertson Limited (FRL). The Phase-II was started on January 31, 2008. Phase-II consisted of six sub-phases. G&G Data review and engineering data analysis has been completed. The geophysical analysis was suspended on Mar 27, 2008 by FRL due to some issue on horizon. FRL provided mapping at Horizon A and Horizon B, POL and OGDCL jointly approved Horizon B for further geophysical mapping and modeling. Study restarted on June 2, 2008 and it is in progress.

Oil Reserves as on June 30, 2008



Crude Oil Production



Ahmadal Concession
(Pariwali Development & Production Lease)

At Pariwali-2 & 3, a well bore cleaning and acidization jobs were conducted to enhance the production from the wells. However, no improvement was observed in production probably due to depleted reservoir pressures.

The production from Pariwali-2 and 3 was diverted to low pressure separator system and to medium pressure separator system respectively at plant to mitigate the flow line back pressure effects and to keep wells flowing at low wellhead pressures. The flow from Pariwali-6(SS) was also diverted to medium pressure separator system at plant to mitigate the flow line back pressure effects to keep the well flowing at low wellhead pressures.

Bottom hole pressure survey campaign at Pariwali and Meyal Fields was conducted during the annual plant shut down. Bottom hole pressure survey were conducted in Sakesar and Lockhart formations at wells Pariwali-2, Pariwali-3, Pariwali-5, Pariwali-6 (SS), Pariwali-6(LS), Meyal-8 and Meyal-17.

Pariwali-7 was spuded on 24th Nov, 2007. Presently, drilling is in progress.

Minwal Development & Production Lease

Minwal -2

The Company has started drilling a development well Minwal-2 to drain the up dip potential. The Joint Venture Partner, Government Holdings (Private) Limited, has declined to participate and has requested to be carried in the drilling phase. The primary objective of the well is to test the Eocene reservoir.

Non Operated Joint Ventures Producing Fields

Ratana (North Potwar Concession)

Ratana

Ratana Deep-1 was commissioned on 16th May 2007. Sharp decline was observed in production profile of the well. The well was shut-in since July 2007 for observation.

A BHP survey was conducted on the well in September 2007. In January 2008, the sub-surface safety valve damaged during a Slick line job. A rigless workover is being planned to replace the damaged valve followed by the acid stimulation job and put the well back on production.

A plan is being under consideration for deepening Ratana-2 to Jurassic level subject to availability of rig.

Adhi

Basin Modelling and Geochemical Study over the Adhi Structure completed. About 225 Kms. 2D seismic survey was planned to image the sub thrust and southern part of the Adhi structure.

Dhurnal

The operator has come up with an up dip potential of Dhurnal field after an in-house interpretation of seismic data. The operator has put forward a proposal to acquire 3D seismic data to properly evaluate the up dip potential before proposing a new well.

The feasibility of EOR study for Dhurnal field is under progress. The data for the proposed study required further refinement and in-house assessment is going on to re-evaluate the quality and validity of all the data from the field.

Bhangali

A stimulation job at Bhangali-2 was conducted on Feb 2008 using resonance technology. The tool got stuck-down hole and fished in the well bore. In March 2008, the resonance waves were activated however, no improvement in production profile of the well was observed. A plan is under progress to retrieve the fish.

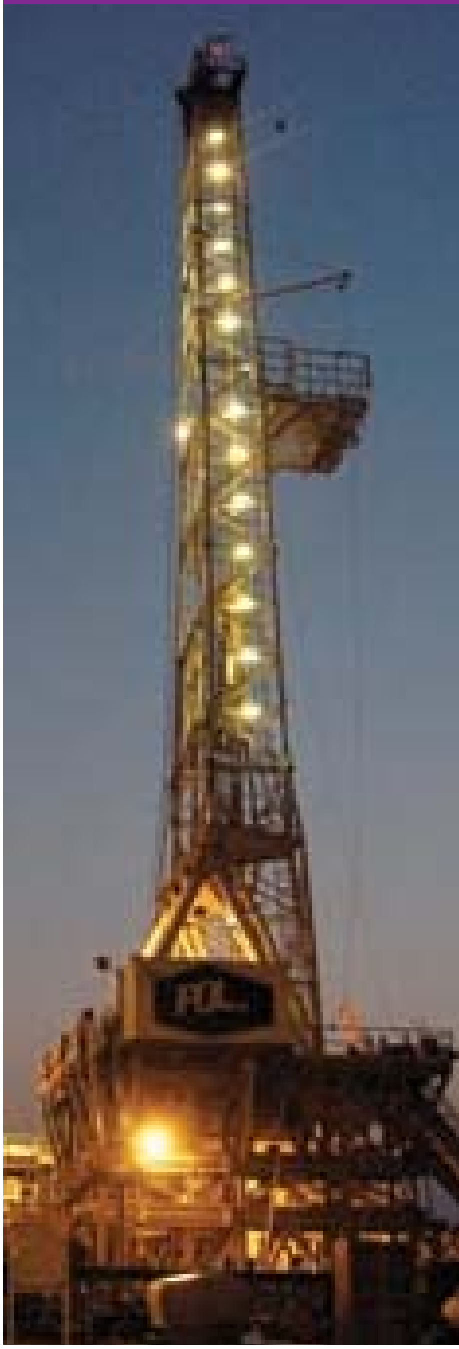
Manzalai

Processing of the newly acquired 2D lines over Manzalai & Manzalai West lines was completed. Structural Restoration /Balancing and 1 D Basin Modelling studies were completed. Contract for the reprocessing of 2D 768 L.Kms up to PSTM level,100 L.Kms up to PSDM level & 3D 1100 Sq. Kms seismic data reprocessing of Manzalai and Makori has been awarded.

Manzalai-6 well was completed as a gas producer and tested 20.85 mmscfd of gas, 348 bbls of condensate and 4.8bbls of water on 32/64" choke.

Manzalai-5 well was spudded on February 02, 2008. Drilled down to 13426 ft and declared TD as the target reservoir has not encountered. Decided to side track the hole. Presently, drilling in progress.

Manzalai-6 well was completed as a gas producer and tested 20.85 mmscfd of gas, 348 bbls of condensate and 4.8 bbls of water on 32/64" choke.



Exploration

Kirther South Block

The Attock Oil Company has acquired a 15% working interest through an assignment agreement at Kirthar South Block.

The first exploratory well Azim-1, was spudded during the year 2008. Plugged and abandoned due to unsuccessful results.

Pirane-1 well was spudded on 29th June, 2008. The prognosed TD of the Well is ±12,700 ft. Drilling is under progress.

In the year 2008-09, the Company has a plan to drill two more exploratory wells as per work commitment.

Ikhlas Block

Location of the Ikhlas well-1 was stacked on the ground but due to the high geological risk the drilling of the well was suspended. Two leads were identified and more seismic data is required only these leads. 2D seismic acquisition contract has been awarded for the acquisition of 440 Line kms 2D seismic data. The first Exploratory well is planned in 3rd quarter of 2008.

Kala Chitta Block

POL withdrew its application for the exploration of Kala Chitta block as the most part of the block fell under a security restricted area as communicated by the DGPC.

Margala & Margala North Blocks

Final processing & interpretation of Gravity and Magnetic data has been completed in GRI, China. Geological field work over western and north western parts is in progress. 2D seismic acquisition contract for the acquisition +700 Lkms has been awarded.

The Attock Oil Company has acquired a 15% working interest through an assignment agreement at Kirthar South Block.

Tal Block

Mami Khel

Mami Khel-1, side track-3 well was successfully drilled down to the planned depth. The well produced 45.8 million standard cubic feet per day (mmscfd) of gas and 2,881 stock tank barrels per day (stb/day) of condensate at 56/64" choke.

Operater recommended the processing and interpretation on minimum 300 sq Kms 3D seismic data to map the dicovery area, to build a geological model and to calculate the hydrocarbon volumertric of the discovery area. It was decided that apprasial well would be drilled after observing early well production behavir of Mami Khel-1 well at least for six months production in order to record, monitor and analyze the reservoir behaviour.

Makori

Makori-2 well was spudded on May 02, 2008. Primary objective of the well is to test the hydrocarbon potential of the Lockhart, Hangu and Lumshiwal formations to appraise the already proven Makori structure. Presently, drilling is in progress.

Gurgalot Block

Exploratory well Khawaja-1 well was spudded on June 30, 2008. The TD of the well will be ±18,850 ft. The primary objective of the well is to test the potential of Lockhart, Hangu, Lumshiwal and Datta formations. Presently, drilling is in progress.

Kotra Block

Jhal Magsi South-2 (SideTrack-2) well was completed and tested with 6.9 mmscfd of gas and 28 bbls of condensate on 32/64" choke. Commerciality document has been submitted to the Director General Petroleum Concession for approval.

Mami Khel-1, side track-3 well was successfully drilled down to the planned depth. The well produced 45.8 million standard cubic feet per day (mmscfd) of gas and 2,881 stock tank barrels per day (stb/day) of condensate at 56/64" choke.

Subsidiary

CAPGAS (Private) Limited (CAPGAS)

CAPGAS has earned a profit before tax of Rs 26.7 million during the year (2006-07: Rs 40.7 million). It has declared a total dividend of 1280% for the year 2007-08 (2006-07 : 450%).

The Company is receiving 24.MTD of LPG form Adhi plant and 6.5 MTD of LPG from PARCO.

Crude Oil Transportation

Khaur Crude Oil Decanting Facility (KCDF) continued to operate satisfactorily and up to June 30, 2008. A total of 4.1 million barrels of crude oil arriving from southern part of the country were pumped to Attock Refinery Limited through this facility and pipeline during the year.

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Risk Management

The Board remains committed to the philosophy of effective business risk management as a core managerial competency. The Board has established a structured approach to risk management through the formulation of a risk management policy and system. The Company is in a continuous process to fully implement, monitor and improve its risk management policy. The Company's risk management system requires approaching risk identification in a systematic way by developing a sound understanding of the Company's strategic and operational objectives of the organization, including critical success factors, and the opportunities and threats related to the achievement of these objectives as well as analyzing the significant functions undertaken within the Company to identify significant risks which flow from these activities. Risks are required to be formally identified, prioritized and incorporated into a risk management response to effectively address risks. The risk management response includes assigning formal responsibility and accountability for the management of risks to individuals within the Company, who have the required level of technical expertise as well as authority to effectively manage the risks.

The following is an outline of the major material risks being faced by the Company:

1. **Oil price volatility:** The pricing for the Company's oil and gas production is benchmarked with international prices of crude oil and related products. Any unfavorable variance in the international prices is likely to adversely affect the Company's profitability.

2. **Exploration risk:** Exploration activity includes the risks of incorrect selection of exploration acreage, error in processing or interpretation of seismic data, wrong selection of drilling site.

3. **Drilling risk:** Oil and gas drilling inherently is a high risk activity. The Company is exposed to a variety of hazards during drilling of wells including well blow out, fishing, fire hazard and personal injury. In addition, the risk of not discovering oil and / or gas as expected would have an adverse affect on earnings.

4. **Underperformance of major oil and gas fields:** The Company's future earnings and profitability is dependent upon the production and reserves of its oil and gas fields. The actual production from fields may differ materially from estimates due to possible underperformance of the oil and gas reservoirs or other production related factors.

5. **Procurement planning related risk:** Managing risk in business is not a new phenomenon, but managing it well in a changing global environment is producing some significant challenges, especially for the procurement department. Vulnerability in the procurement process can be seen as a weakness or possible threat to the Company.

   The vulnerability can rise following risks

   - Commercial risks
   - Process- reconciliation supply with demand
   - Operational – not having materials
   - Strategic – inappropriate product from the market
   - Contractual – exposure to liquidated damages

6. **Engineering and process:**
   Upon the estimation of reserves and production the engineering department is allowed to design the processing plant for the crude oil and gas. During processing the input of Oil and Gas is dependent of production figures. The over estimation of Reserves and production can lead to investment of huge capital in the form of Plant design.

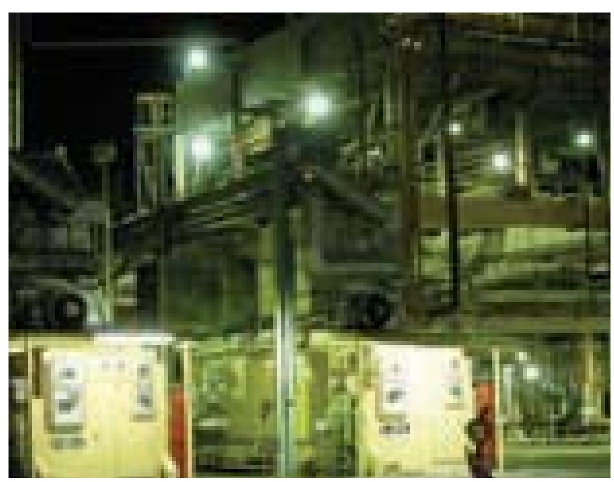
7. **Changes in legislation:** The Company's business may be adversely affected due to changes in legislation, taxation, regulation, entitlement to produce hydrocarbons, royalties and pricing mechanisms.

8. **Environmental regulations:** The Company is subject various laws and regulations relating to health, safety and the environment. Changes to these laws and regulations could result in increased costs of compliance as well as penalties for non-compliance.

9. **Increased competition:** With increased competition in the oil and gas exploration and production sector, particularly in relation to the application and award of exploration concessions, the Company may be faced with higher competition than previously. In addition, the Company's LPG marketing business may be adversely affected due to increased competition, decline in margins or disruption to LPG supply sources.

10. **Information technology failures:** The Company's operations may be adversely affected due to information technology failures specially in today's environment of reliance on IT systems, regulation and reporting deadlines.

11. **Economic and political risks:** Volatile economic and financial market conditions resulting from economic or political instability.



Business Process Reengineering (BPR)/ Development Activities

The Company believes that quality and an unyielding commitment to continuous improvement are indispensable ingredients to achieving success. All processes are subject to continuous evaluation and improvement. Being an oil and gas exploration and production company, research is an integral part of the Company's operations and a significant part of exploration activity. Data acquisition, processing and interpretation during geophysical activities involve the selection of optimum data acquisition parameters through careful experimental investigation. The Company undertakes comprehensive research to understand the behavior of sub-surface locations of any area, using latest sub-surface imaging technology, before a drillable project is developed. Research is also conducted to study reservoir behavior to optimize recovery from a field. Apart from the drilling of development wells already mentioned earlier by geographical location the major business development projects undertaken during the year are as follows:

ERP Integration

After smooth running of Oracle Financials modules payroll module has also been integrated with Oracle Financials by shifting it to new software which in itself is a package containing Human Resource Management (HRM) and Employee Self Service (ESS) along with Payroll.

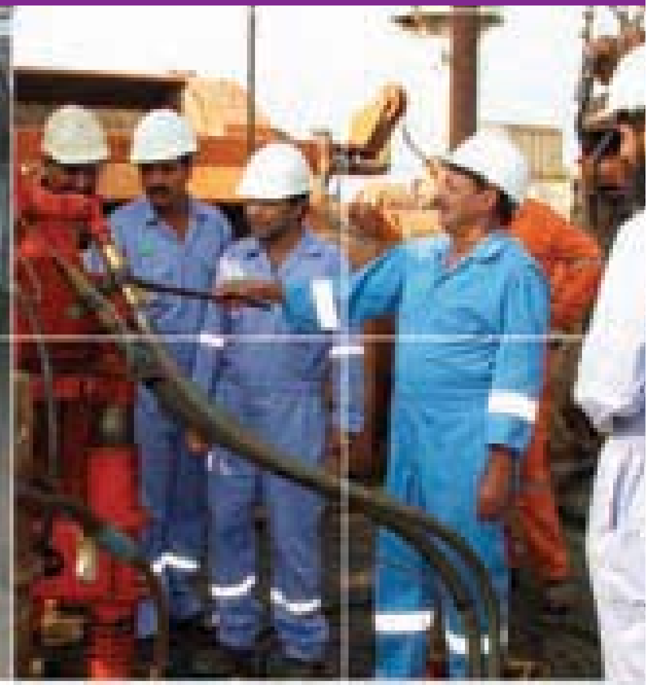
As, part of Business Process Reengineering (BPR), process study for switching existing Procurement and Stores System to Oracle E-Business suite, has been completed. Further, integration of Oracle Procurement and Inventory modules with Oracle Financials is in progress.

As step forward for best industry practices, a cataloging project has also been undertaken to reorganize inventory data in standard templates and cleansing of existing data before loading in Oracle inventory module.

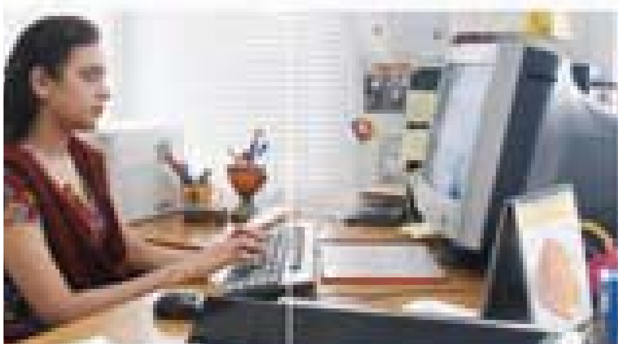
To maximize online integration of company activities another project is underway for extending existing radio connectivity to Balkassar and Meyal fields and within various locations in Khaur field.

Quality Management System

The Company has certification for ISO 9001:2000 quality management system. By adopting ISO 9001:2000, the company is in a continuous process of improving and following set standards and procedures with a view to meeting and exceeding organization objectives.



We are committed to equality of opportunity for all regardless of gender, age race physical ability, religion, political conviction or sexual orientation as laid down in the Company's Statement of Ethics and Business Practices. The Company takes seriously its obligation to the disabled and seeks not to discriminate against current or prospective employees because of any disability.



Corporate Social Responsibility

The Company is committed to achieving sustained commercial success and growing shareholder value. We do this not just by meeting our goals, but also by operating in a socially responsible manner. We recognize that we are part of the society in which we operate and, as such, we are committed to the highest standards of corporate behavior, which balances the claims of all key stakeholders in our business: clients, employees, shareholders and the communities in which we live and work.

Human Resource

The Company believes that our people are our strongest asset and their development is vital to our success. We aim to hire the very best people, keep them motivated, reward them for what they do and give them opportunities to grow and learn. In doing this, we believe we can build a team of people who want to do their very best for the company. The board remains committed to ensuring that all employees are treated with dignity & respect and that the working environment is one where each employee's contribution is recognized and valued.

We are fully committed to creating a culture of performance excellence, which starts with attracting and retaining outstanding talent and where high levels of personal and company performance are recognized and rewarded. Our reward structures consider all aspects of salary, incentives and benefits as a total package with the intention of providing competitive levels of remuneration and enhanced earning opportunities in recognition of business success.

We are committed to equality of opportunity for all regardless of gender, age race physical ability, religion, political conviction or sexual orientation as laid down in the Company's Statement of Ethics and Business Practices. The Company takes seriously its obligation to the disabled and seeks not to discriminate against current or prospective employees because of any disability.

We believe that education is the back bone of every nation. It contributes to sustainable economic growth. POL focuses on education at the basic, primary, secondary, higher secondary levels.

Health Safety and Environment Review

The health, safety and environment performance of the Company is one of the key indicators used to measure the continuous improvement necessary to keep our employees, contractors and members of the public safe. We believe that achieving and maintaining high standards of health, safety and environment is integral to the success of the business performance and objectives.

Healthcare

POL is committed to operating in an ethically responsible way and to protecting and improving the health of our people, suppliers, customers and communities that we operate in.

The company has been providing free medical facilities to all the employees and their dependant family members which include indoor/outdoor medical facility.

A summary of our efforts in the area of healthcare is given below.

POL Hospital Khaur

The Company is maintaining a state of the art secondary care hospital to provide healthcare facilities at the remote location of Khaur. The hospital provides quality medial care, vital health services and free emergency assistance round the clock.

The hospital is equipped with state of the art operation theatre, fixed and mobile X-ray machines, sophisticate medial laboratory and latest medical facilities. The hospital indoor facilities comprise of 40 bed air conditioned wards.

The hospital is incorporated with the services of 3 specialists (Medicine, surgical and gynecological) doctors round the clock. Average of 90 out door patients per day from the local community along with 110 company employee patients are getting high grade medical care.

Besides, facilitating the general public through POL Hospital, medical camps in different areas were arranged where medical check up's and medicines were distributed free of cost at their door steps.

Modern emergency services are provided free of cost to the road accident injured persons, this helped to save the lives, as prior to the establishment of the hospital, there was no arrangement of emergency services in the area. It is the only hospital in the area providing such facilities to the general public of the surrounding.

Other Healthcare Facilities at fields

- A free dispensary for the local community of the Pindori area.
- Field hospital / dispensaries at Meyal and Balkassar.
- Annual vaccination program is launched in collaboration with district health department.

Community Health Program

Besides, facilitating the general public through POL Hospital, medical camps in different areas were arranged where medical check up's and medicines were distributed free of cost at their door steps.

Occupational Health

The Company has well defined health policy. The Company seeks to identify and eliminate occupational health hazards. We are strongly committed to provide our employees with the healthy working conditions in all our locations. We believe that occupational safety and health (OSH) is an essential component of CSR and successful occupational health and safety practice requires the collaboration and participation of both employers and workers in health and safety program. The company is striving hard to provide all kind of necessary training, equipment and management system in this regard.

The structure of "Emergency Response Team" is well defined and required contingency plan has been established which regulates emergency organization, responsibilities, list of key personals, important telephone numbers, communication plan and sequence of activities to mitigate the situation.

All emergency plans are well defined and available to all stakeholders including local communities. The company is striving for provision of safe workplaces to all of its employees and struggling for zero accidents. The company is gradually improving its occupational health and safety infrastructure in compliance with the regulatory requirements of OSHAS 18001.

POL is committed to operating in an ethically responsible way and to protecting and improving the health of our people, suppliers, customers and communities that we operate in.

Safety

POL recognizes that safe operations depend not only on technically sound plant and equipment but also on competent people and an active HSE culture, and that no activity is so important that it cannot be done safely.

The Company conducts its business with the highest concern for the health and safety of its employees, contractors, customers, neighbors and the general public and for the environment in which it operates. The Company has well defined health and safety policies. The Company seeks to identify and eliminate occupational health hazards, is committed to providing a safe workplace for all its employees and strives for zero injuries.

Procedures and processes are regularly reviewed to ensure that the standards set are linked to industry best practices. Heath and safety training is provided to employees to ensure that they perform their work in accordance with the Company's standards and targets. In this respect, in-house training for fire safety, first aid, defensive driving and occupational health and safety is carried out routinely. The Company ensures that employees and, where applicable, contractors, are aware of potential hazards and of the Company's requirements for healthy, safe and environmentally friendly working practices. POL issues a monthly Safety bulletin for all employees. These initiatives have helped in the reduction of workplace injuries.

Safety drills are carried out regularly to ensure that the state of preparedness and emergency response times remain within established limits. Safety planning is carried out for each concession area of the Company separately.

During the year, in recognition of our commitment to the protection of the environment, the Company won the Environment Excellence Award 2008 given by the Governing Body of National Forum for Environment and Health (NFEH).

Environment

We are committed to understanding the effect we have on the world around us and to setting targets to manage and reduce that impact. POL has reviewed its approach against the current backdrop of wider public interest in all matters environmental including concern over changes in our climate. The Company aims to comply with all applicable legal requirements as its minimum standard and works actively to reduce emissions and waste from its products and processes. In this respect, we have made progress and we have set ourselves even higher targets for the future.

Being an Exploration and Production Company we work in most sensitive environments. We understand the effect we have on the world around us. We invested significantly in the environmental management of our operations. This year we celebrated "World Earth Day" and "World Environment Day" at various locations. We have launched a environmental bases scheme "Landscaping with Green".

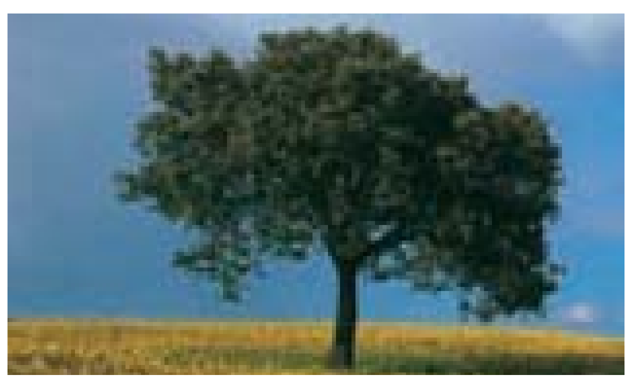
We have won fifth Annual Environment Excellence award 2008, awarded by National forum for Environment & Health .

A summary of our efforts to manage the interface between the operations, the environment, local communities and the general public is given below:

- We contributed in reduction of GHG emission through minimizing the gas flaring by using better operations techniques.
- We are also addressing the issues of effluent treatment and management & disposal of waste. Currently we have installed a waste water recycling plant at Khaur; recycled water is being used for gardening purpose.

Some of our innovative projects are:

- Installation of waste water recycling plant at Khaur.
- Construction of API evaporation ponds for the disposal of produced water.
- Development of a children park at Khaur in year 2007.
- Established and maintained noise monitoring system and marked the high noise zone at the plants.
- Laying of high quality geo-membrane in waster water & drilling fluid pits at new drilling sites.
- Conducting "Initial Environment Examination" (IEE) for non-sensitive areas and "Environmental Impact Assessment" (EIA) in environmentally sensitive are and stringent monitoring & compliance of National Environmental Regulation.
- We developed a disposal system for spent lube oil.
- Safe disposal (incineration) of hazardous hospital waste.
- Established effluents monitoring system, and arrangement to separate oily contents in power houses & compressor stations discharge water.
- Planning for renewable energy and alternative energy, we have installed solar energy based traffic signals at Khaur and planning to establish a CNG station in collaboration with "Attock Petroleum Limited" at Khaur in the year 2008-2009.



Community Development and Support

The Company has a proud history of corporate giving and supporting community projects. We have implemented a visionary Community Development Program that focuses on education, health services, water supply schemes and infrastructural developments.

Highlights of the projects are given below:

Education

We believe that education is the back bone of every nation. It contributes to sustainable economic growth. POL focuses on education at the basic, primary, secondary, higher secondary levels.

We are providing Building, furniture, laboratory equipment, computer and other facilities to Government educational institutions, detail is given below:

- POL Intermediate College, Khaur
- POL Model High School, Khaur
- Completion of the building for a degree college village Chak Beli Khan
- Construction of the building of Government Primary School at Meyal
- Govt. Girls Primary School Dhook Bhatti
- Govt. Boys Primary School Mehmooda
- Govt. Boys Primary School Joyamir
- Govt. Boys Primary School Balkkasar
- Govt. Girls Primary School Mikyal
- Govt. Boys High School Dhab Kalan
- Govt. Girls Primary School Kodeh
- Govt. Boys Primary School Sipyal
- Govt. Boys Middle School Maghain
- Govt. Girls High School Maghian Village
- Govt. Boys High School Maghian Village
- Govt. Boys Primary School Nang wali Village
- POL Model Nursery School Khaur

POL is already operating a model high school and an Intermediate College at Khaur. College has a library and laboratories of Physics, Chemistry, Biology and Computers. It is a signal project of the Company and is perennial benefit to the community. Khaur Intermediate College is a leading provider of post-secondary education in the area.

Electrification

We continue to undertake community projects for electrification in remote areas in consultation with local communities and administration, detail of electrification schemes is given below:

- Provision of electricity and Installation of 2 Eletric Transformers (50 kv & 4 Poles each) at Dhok Dhumanabad, Dhok Sikanderabad and Pindori Village.
- Provision of Electricity Transformer with Poles at Sipyal Village.
- Provision of Electricity Transformer with Poles at Ferozwali Village.
- Electrification of 1 transformer and 14 poles at Dhook Awan.
- Electricity supply for Chak Ghakhar Transformer / Electric Poles.
- Electrification at Govt. Boys School Dhoke Gheba.
- Electrification of Govt Girls High School, Balkassar.

Water supply schemes

We are running numerous projects of drinking water supply scheme in collaboration with district and local Government as per detail below:

- Up-gradation of water supply scheme at village Mikyal.
- Water supply pump and motor at village Sipyal.
- Mikyal water supply scheme.
- Provision of turbine pump/electric motor for water supply scheme village pind.
- Provision of pipeline for water scheme at village sipyal.
- Uplifting of water wells at village Bahia.
- Water supply scheme at pindori.
- Water Supply Scheme U/C Khaur.
- Construction of foundation and supply water tank at Dhok Gheba.
- Drinking water supply at Dhok Gheba.
- Water supply scheme for village kharpa/ Dhok Datwal and surroundings projects include wellbore, pump, and allied machinery.

Civil Works and Roads

The Company has done the following civil works for community development:

- Roads and infrastructure development in the area.
- Financial aid to the poorer and widows from general public.
- Company has constructed a magnificent Jamia Masjid at khaur.
- Brick Pavement of main street, village Bhaia/ Banoti/ Dhok Bhatti.
- Mettaled Link Road near Village Jhangi Construction of metteled link Road between Jhangi road and thalla khurd Road.
- Construction of Concrect Pavement Street Near Govt. Boys Primary School at Chak Beli Khan.
- Main Drain From NRSP Office to Dhok Sher Zaman at Chak Beli Khan.
- Construction of Street from main Muhammadi Mosque at Village Bains.
- Construction of Side Drain at Village Bahaia.
- Construction of concrete pavement of Main streets & link streets at Village Bahaia.
- Construction of Road Village Dhaku to Joyamir.
- Link Road Dhab Kalan, Construction of Road.
- Metteled Road for village Mikyal.
- Road to Dhok Shakra Pind.

Sports activities

The Company organizes sports activities and competitions with active participation of local communities. We have established Public Park at Khaur.

Others

Vocational Training Centre at Khaur providing training to women of the surrounding areas to equip them with necessary skills to earn a respectable livelihood.

Corporate Governance

The concept of corporate governance has unquestionably climbed the corporate agenda. Across the globe we have witnessed a proliferation of regulations, codes, recommendations and principles on the subject. On adopting the current code of corporate governance, the Board determined that the appropriate approach to governance was to adopt a framework that drew on the governance requirements and best practices across the globe.

a) The financial statements, prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) Significant deviations from last year's operating results have been disclosed as appropriate in the Directors' Report / Chairman's review and in the notes to the accounts, annexed to this report.

i) The Company does not envisage corporate restructuring or discontinuation of its operations in the foreseeable future.

j) Key operating and financial data of the last six years in summarized form is annexed.

k) All major Government levies in the normal course of business, payable as at June 30, 2008, have been cleared subsequent to the year-end.

l) The values of investments in employee retirement funds based on the latest accounts as of June 30, 2008 are as follows:

Management Staff Pension Fund	Rs 419.79 million
Staff Provident Fund	Rs 161.63 million
General Staff Provident Fund	Rs 206.10 million

m) During the year the Board of Directors held five meetings. The attendance of each director is as follows:

1. Dr. Ghaith R. Pharaon / Mr. Shuaib A. Malik*	5
2. Mr. Laith G. Pharaon / Mr. Babar Bashir Nawaz*	5
3. Mr. Wael G. Pharaon / Mr. Bashir Ahmad*	3
4. Mr. Bashir Ahmad	3
5. Mr. Abdus Sattar	5
6. Mr. Muhammad Najam Ali	2
7. Mr. Shuaib A. Malik (Chairman)	5
8. Mr. Arif Kemal/ Mr. Abdus Sattar	1
* Denotes alternate director	

Leave of absence was approved by the Board in all the cases where a director could not attend a Board Meeting during the year.

Auditors

The auditors, Messers A.F. Ferguson & Co., Chartered Accountants, retire and offer themselves for reappointment. The Audit Committee has recommended the reappointment of Messers A. F. Ferguson & Co., Chartered Accountants, as auditors for the financial year ending June 30, 2009.

Shareholding

The pattern of shareholding as at June 30, 2008 is annexed. All trades in the shares of the Company, if any, carried out by the directors, CEO, CFO and Company Secretary and their spouses and minor children are also annexed.

Holding Company

The Attock Oil Company Limited, incorporated in England, is the holding company of Pakistan Oilfields Limited.

Consolidated Financial Statements

The consolidated accounts of the Company and its subsidiary are annexed.

Acknowledgement

The results for the year could not have been made possible without the loyalty, devotion, hard work and commitment of all employees. The Board of Directors acknowledges and deeply appreciates their contribution towards the achievement of the Company's goals.

On behalf of the Board

Shuaib A. Malik
Chairman

Damascus
October 08, 2008

Being an Exploration and Production Company, we understand the effect we have on the world around us.

This year we celebrated "World Earth Day" and "World Environment Day" at various locations. We have launched a environmental bases scheme "Landscaping with Green"

Pattern of Shareholding

as at June 30, 2008

S.No	From	To	Shares	Form-34 No of Shareholders
1	1	100	52,889	823
2	101	500	384,575	1172
3	501	1000	562,632	661
4	1001	5000	2,283,736	901
5	5001	10000	1,578,111	213
6	10001	15000	1,207,903	95
7	15001	20000	1,264,687	71
8	20001	25000	1,030,850	44
9	25001	30000	826,492	29
10	30001	35000	428,123	13
11	35001	40000	683,492	18
12	40001	45000	434,288	10
13	45001	50000	693,574	14
14	50001	55000	364,348	7
15	55001	60000	406,085	7
16	60001	65000	383,120	6
17	65001	70000	405,450	6
18	70001	75000	664,485	9
19	75001	80000	314,800	4
20	80001	85000	329,984	4
21	90001	95000	184,500	2
22	95001	100000	791,110	8
23	100001	105000	208,350	2
24	105001	110000	428,570	4
25	110001	115000	451,200	4
26	115001	120000	950,134	8
27	120001	125000	125,000	1
28	125001	130000	387,400	3
29	130001	135000	663,200	5
30	135001	140000	693,561	5
31	140001	145000	141,500	1
32	145001	150000	442,935	3
33	150001	155000	461,460	3
34	155001	160000	479,300	3
35	165001	170000	331,500	2
36	170001	175000	347,600	2
37	185001	190000	562,771	3
38	190001	195000	192,000	1
39	195001	200000	1,191,500	6
40	200001	205000	405,000	2
41	205001	210000	207,850	1
42	215001	220000	648,880	3
43	220001	225000	887,870	4
44	225001	230000	230,000	1
45	235001	240000	472,030	2
46	240001	245000	488,900	2
47	250001	255000	503,000	2
48	260001	265000	261,000	1
49	265001	270000	537,040	2
50	275001	280000	277,300	1
51	280001	285000	281,000	1

Pattern of Shareholding
as at June 30, 2008

Form-34

S.No	From	To	Shares	No of Shareholders
52	295001	300000	899,400	3
53	300001	305000	304,400	1
54	305001	310000	613,800	2
55	310001	315000	624,700	2
56	315001	320000	319,400	1
57	320001	325000	330,500	1
58	355001	360000	355,900	1
59	360001	365000	360,300	1
60	370001	375000	375,000	1
61	390001	395000	394,600	1
62	395001	400000	400,000	1
63	435001	440000	437,400	1
64	455001	460000	457,100	1
65	465001	470000	470,000	1
66	470001	475000	472,020	1
67	510001	515000	512,400	1
68	520001	525000	525,000	1
69	535001	540000	1,075,300	2
70	540001	545000	542,500	1
71	590001	595000	592,300	1
72	660001	665000	663,100	1
73	675001	680000	676,173	1
74	700001	705000	704,200	1
75	705001	710000	710,000	1
76	715001	720000	717,500	1
77	740001	745000	744,132	1
78	750001	755000	750,300	1
79	755001	760000	757,300	1
80	790001	795000	794,000	1
81	885001	890000	887,000	1
82	925001	930000	926,400	1
83	960001	965000	963,600	1
84	995001	1000000	1,000,000	1
85	1025001	1030000	1,029,400	1
86	1040001	1045000	1,040,900	1
87	1070001	1075000	1,072,800	1
88	1175001	1180000	1,179,600	1
89	1285001	1290000	1,288,837	1
90	1410001	1415000	1,415,000	1
91	1570001	1575000	1,574,610	1
92	1820001	1825000	1,822,000	1
93	1910001	1915000	1,914,990	1
94	2095001	2100000	2,097,388	1
95	2280001	2285000	2,281,380	1
96	2855001	2860000	2,860,000	1
97	3520001	3525000	3,524,639	1
98	8870001	8875000	8,874,050	1
99	10300001	10305000	10,304,342	1
100	105950001	105955000	105,952,854	1
			197,121,600	4249

Categories of Shareholders

Categories of Shareholders	No. of Shareholders	No of Shares held	Percentage %
Investment Corporation of Pakistan	1	97	0.00
National Bank of Pakistan Trustee Department (NIT)	1	3,524,639	1.79
Banks & Financial Institutions	70	17,522,188	8.89
Public Sectors Companies	166	114,326,224	58.00
Leasing Companies	3	78,950	0.04
Modaraba Companies	7	102,320	0.05
Mutual Funds	73	15,259,185	7.74
Investment Companies	24	4,296,500	2.18
Insurance Companies	20	12,372,583	6.28
Individuals	3826	18,101,007	9.18
Others:			
Employees Old Age Benefits Institution	1	8,874,050	4.50
Deputy Administrator Abandoned Properties	1	11,584	0.01
Employees Pension / Provident Fund	45	1,647,653	0.84
Charitable Trusts & Foundation	11	1,004,620	0.51
TOTAL	**4249**	**197,121,600**	**100.00**

Key Shareholding and Shares Traded

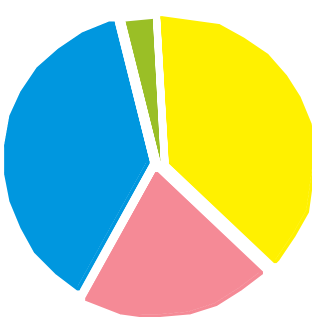
	Categories	Number of Shareholders	Number of Shares held
	Associated Companies		
1	The Attock Oil Company Limited.	01	105,952,854
2	Laith Trading & Contracting Company Ltd.	01	220,320
	NIT & ICP		
1	National Bank of Pakistan, Trustee Department (NIT)	01	3,524,639
2	Investment Corporation of Pakistan (ICP)	01	97
	Directors, their spouses and minor children		
1	Mr. Shuaib A. Malik (Chairman)	01	237
	Executives	01	1,500
	Public sector companies and corporations	166	114,326,224
	Banks, Development Finance Institution, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	197	49,631,726
	Shareholders holding 10% or more voting interest		
	* The Attock Oil Company Limited	01	105,952,854
	Trade in Shares of the Company by Directors, CEO, CFO, Company Secretary and their spouses and minor children	Nil	

* also shown under associated companies and public sector companies

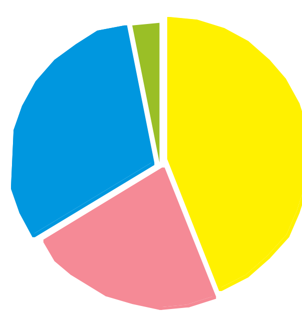
Statement of Value Added

	2008	(Restated) 2007
	Rupees ('000)	
Gross revenue	18,245,832	16,331,115
Less: Operating and exploration expenses	4,231,315	4,001,809
	14,014,517	12,329,306
Add: Income from investments	888,804	565,997
Other income	2,076,303	375,883
Total value added	16,979,624	13,271,186
Distributed as follows:		
Employees remuneration	420,170	434,334
Government as:		
Company taxation	2,804,217	1,757,267
Levies	1,506,371	2,091,695
Royalty	1,527,387	1,281,229
Workers' funds	646,915	567,740
	6,484,890	5,697,931
Shareholders as:		
Dividend	3,153,946	2,956,824
Bonus shares	394,243	-
	3,548,189	2,956,824
Retained in business:		
Depreciation	341,689	285,180
Amortization	1,116,381	914,486
Net earnings	5,068,305	2,982,431
	6,526,375	4,182,097
	16,979,624	13,271,186

Distribution of value addition 2008



Distribution of value addition 2007



Vertical Analysis

(Rupees millions unless otherwise stated)

Balance Sheet

	2006		2007		2008	
Share Captial and Liabilities						
Issued, subscribed and paid-up capital	1,971	8.48%	1,971	7.77%	1,971	6.00%
Insurance reserve	200	0.86%	200	0.79%	200	0.61%
Unappropriated profit	12,448	53.56%	17,522	69.09%	23,182	70.53%
Fair value gain on available-for-sale investments	5	0.02%	20	0.08%	17	0.05%
Long term loans and murabaha finance	1,620	6.97%	-	-	-	-
Long term deposits	445	1.91%	471	1.86%	477	1.45%
Deferred liabilities	2,602	11.20%	3,266	12.88%	4,091	12.45%
Current portion of long term loans and murabaha finance	1,080	4.65%	-	-	-	-
Interest accrued on long term loans and murabaha finance	70	0.30%	-	-	-	-
Trade and other payables	2,158	9.29%	1,602	6.32%	2,227	6.78%
Provision for income tax	642	2.76%	308	1.21%	703	2.14%
	23,241	100.00%	25,360	100.00%	32,868	100.00%
Assets						
Property, plant and equipment	1,639	7.05%	2,109	8.32%	2,642	8.04%
Development & decommissioning costs	4,861	20.92%	6,012	23.71%	6,435	19.58%
Exploration & evaluation assets	-	-	372	1.47%	1,282	3.90%
Long term investment in subsidiary & associated companies	8,056	34.66%	8,056	31.77%	9,616	29.26%
Other long term investments	279	1.20%	604	2.38%	522	1.59%
Long term loans and advances	12	0.05%	7	0.03%	11	0.03%
Stores and spares	1,567	6.74%	2,279	8.99%	2,298	6.99%
Stock in trade	63	0.27%	69	0.27%	58	0.17%
Trade debts	2,490	10.71%	2,344	9.24%	1,800	5.48%
Advances, deposits, prepayments and other receivables	229	0.99%	260	1.03%	702	2.14%
Short term investments	121	0.52%	75	0.30%	77	0.23%
Cash and bank balances	3,924	16.88%	3,173	12.51%	7,425	22.59%
	23,241	100.00%	25,360	100.00%	32,868	100.00%

Profit & Loss Account

	2006		2007		2008	
Net sales	14,650	100.00%	14,239	100.00%	16,739	100.00%
Cost of sales	4,894	33.41%	5,689	39.95%	6,156	36.78%
Exploration cost	1,239	8.46%	923	6.48%	1,024	6.12%
Administration expenses	52	0.35%	50	0.35%	53	0.32%
Finance cost	377	2.57%	226	1.59%	389	2.32%
Other charges	553	3.77%	568	3.99%	647	3.87%
Other operating income	(739)	-5.04%	(913)	-6.41%	(1,392)	-8.32%
Gain on sale of shares of an associated company	-	-	-	-	(1,558)	-9.31%
Provision for taxation	2,149	14.67%	1,757	12.34%	2,804	16.75%
Profit for the year	6,126	41.82%	5,939	41.71%	8,616	51.47%

Horizontal Analysis

Horizontal variances are calculated against last year increase / (decrease).

(Rupees millions unless otherwise stated)

	2006		2007		2008	
Balance Sheet						
Share Captial and Liabilities						
Authorised capital	2,000	-	5,000	150.00%	5,000	-
Issued, subscribed and paid-up capital	1,971	50.00%	1,971	-	1,971	-
Insurance reserve	200	-	200	-	200	-
Unappropriated profit	12,448	29.56%	17,522	40.76%	23,182	32.30%
Fair value gain on available-for-sale investments	5	-50.00%	21	320.00%	17	-19.05%
Long term Loans and murabaha finance	1,620	100.00%	-	-100.00%	-	-
Long term deposits	445	7.75%	471	5.84%	477	1.27%
Deferred liabilities	2,602	2.85%	3,266	25.52%	4,091	25.26%
Current portion of long term loans and murabaha finance	1,080	-	-	-100.00%	-	-
Interest accrued on long term loans and murabaha finance	70	-	-	-100.00%	-	-
Trade and other payables	2,158	38.87%	1,602	-25.76%	2,227	39.01%
Provision for income tax	642	205.24%	308	-51.95%	703	128.57%
Assets						
Property, plant and equipment	1,639	31.12%	2,109	28.68%	2,642	25.27%
Development & decommissioning costs	4,861	6.16%	6,012	23.68%	6,435	7.05%
Exploration & evaluation assets	-	-	372	-	1,282	244.62%
Long Term Investment In Subsidiary & associated companies	8,056	271.59%	8,056	-	9,616	19.36%
Other Long Term Investments	279	-25.60%	603	116.13%	522	-13.43%
Long Term Loans And Advances	12	-7.69%	7	-41.67%	11	57.14%
Stores and spares	1,567	125.47%	2,280	45.50%	2,298	0.83%
Stock in trade	63	110.00%	69	9.52%	58	-15.94%
Trade debts	2,490	129.92%	2,344	-5.86%	1,800	-23.21%
Advances, deposits, prepayments and other receivables	229	-16.48%	260	14.04%	702	170.00%
Short term investments	122	-8.27%	75	-38.52%	77	2.67%
Cash and bank balances	3,924	-25.11%	3,173	-19.14%	7,425	134.01%
Profit & Loss Account						
Net Sales	14,650	73.11%	14,239	-2.81%	16,739	17.56%
Cost of Sales	4,894	59.31%	5,689	16.24%	6,156	8.21%
Exploration cost	1,239	76.24%	923	-25.50%	1,024	10.94%
Administration expenses	52	62.50%	50	-3.85%	53	6.00%
Finance cost	377	2413.33%	226	-40.05%	389	72.12%
Other charges	553	75.56%	568	2.71%	647	13.91%
Other operating income	739	20.95%	913	23.55%	1,392	52.46%
Gain on sale of shares of an associated company	-	-	-	-	1,558	100.00%
Profit Before Taxation	8,274	67.59%	7,696	-6.99%	11,420	48.39%
Provision for taxation	2,149	83.05%	1,757	-18.24%	2,804	59.59%
Profit For The Year	6,126	62.80%	5,939	-3.05%	8,616	45.07%

Six Years at a Glance

(Rupees millions unless otherwise stated)

	2003	2004	2005	2006	2007	2008
PROFIT & LOSS SUMMARY						
Net Sales						
Crude oil	3,099	3,397	5,011	9,034	7,676	9,811
Gas	1,639	1,533	1,863	3,187	3,187	3,185
POLGAS-Refill of Cylinders	1,222	1,292	1,337	2,164	3,116	3,437
LPG	40	44	47	31	4	3
Solvent oil	74	58	58	214	237	231
Sulphur	14	18	23	20	19	72
Reversal of Sales Tax Provision	-	-	124	-	-	-
Total Net Sales	6,088	6,342	8,463	14,650	14,239	16,739
Cost of Sales	2,296	2,517	3,072	4,894	5,689	6,156
Gross Profit	3,792	3,825	5,391	9,756	8,550	10,583
Exploration Cost	490	804	703	1,239	923	1,024
Administration Expenses	43	42	32	52	50	53
Other Charges	273	231	315	553	568	647
Finance cost	-	-	15	377	226	389
Other operating income	564	613	611	739	913	1,392
Operating profit	3,550	3,361	4,937	8,274	7,696	9,862
Gain on sale of shares of an associated company	-	-	-	-	-	1,558
Profit before tax	3,550	3,361	4,937	8,274	7,696	11,420
Taxation	1,121	866	1,174	2,149	1,757	2,804
Profit after tax	2,429	2,495	3,763	6,126	5,939	8,616
Earnings before interest, taxes, depreciation and amortization(EBITDA)	4,067	3,869	5,704	9,569	8,958	12,863
Dividends	1,437	1,643	1,643	2,464	2,957	3,154

	2003	2004	2005	2006	2007	2008
BALANCE SHEET SUMMARY						
Paid-up capital	821	1,314	1,314	1,971	1,971	1,971
Reserves	618	206	210	205	220	217
Unappropriated profit	5,068	7,488	9,608	12,448	17,522	23,182
Deferred liabilities	2,038	2,088	2,530	2,602	3,266	4,091
Long term deposits	357	395	413	445	471	477
Long term Loan	-	-	-	1,620	-	-
Current liabilities	1,832	1,212	1,765	3,950	1,910	2,930
Fixed assets(less depreciation)	946	1,024	1,250	1,639	2,109	2,642
Development & decommissioning costs	3,578	3,651	4,579	4,861	6,012	6,436
Exploration & evaluation assets	-	-	-	-	372	1,282
long term investment	630	527	2,543	8,335	8,660	10,138
Other long term assets	10	14	13	12	7	11
Curent assets	5,571	7,487	7,454	8,394	8,201	12,360

	2003	2004	2005	2006	2007	2008
CASH FLOWS						
Operating activities	2,777	2,051	4,935	6,000	5,522	9,140
Investing activities	(598)	(413)	(3,186)	(7,229)	(1,969)	(2,129)
Financing activities	(1,420)	(577)	(1,622)	(100)	(4,313)	(2,955)
Cash and cash equivalents at year end	3,986	5,063	5,240	3,924	3,173	7,425

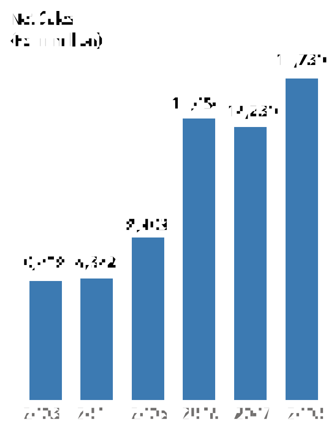
		2003	2004	2005	2006	2007	2008
KEY FINANCIAL RATIOS							
Net profit	%	39.90	39.34	44.46	41.82	41.71	51.47
Gross profit	%	62.29	60.31	63.70	66.59	60.05	63.22
Current ratio	Time	3.04	6.18	4.22	2.13	4.29	4.22
Quick ratio	Time	2.76	5.54	3.81	1.71	3.05	3.41
Inventory turnover	Time	3.61	3.28	3.41	3.08	2.09	2.03
Debtors turnover	Time	8.36	9.59	9.13	8.20	5.89	8.08
Average collection period(days)	Days	43.66	38.06	39.98	44.51	61.97	45.17
Operating cycle	Time	10.94	11.30	10.61	8.86	5.25	7.28
Total assets turnover	Time	0.61	0.54	0.59	0.75	0.59	0.57
Fixed assets turnover	Time	1.54	1.38	1.61	2.38	1.90	1.78
Return on average capital employed	%	40.39	32.16	37.36	47.57	34.59	38.22
Return on equity	%	37.33	27.70	33.80	41.89	30.13	33.96
Debt: equity ratio	%	64.96	41.02	42.28	58.91	28.64	29.56
EBITDA margin	%	66.80	61.00	67.39	65.32	62.91	76.85
Interest cover	Time	-	-	361.71	30.61	86.33	-

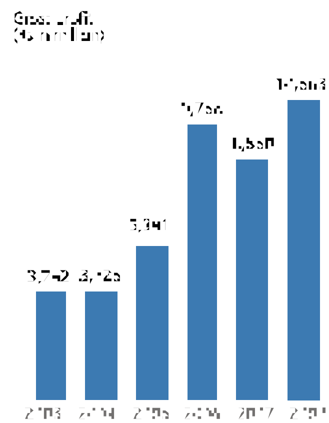
Six Years at a Glance

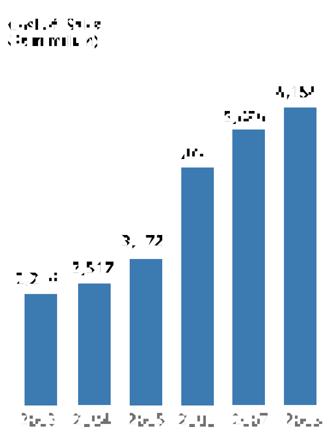
(Rupees millions unless otherwise stated)

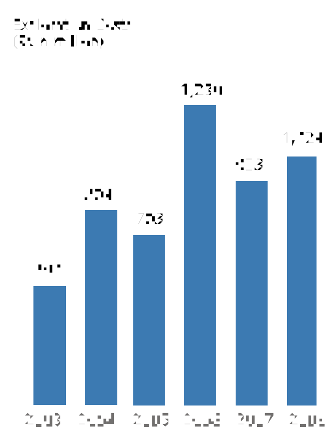
		2003	2004	2005	2006	2007	2008
SHARES AND EARNINGS							
Break-up value (Net assets/shares)	Rs	79.23	68.55	84.71	74.19	100.01	128.70
Market value /share at year end	Rs	225.20	208.50	281.40	334.80	317.00	364.84
Market value/share-high during the year	Rs	226.25	468.75	369.00	722.00	386.95	435.00
Market value/share-low during the year	Rs	125.00	168.95	192.00	279.50	296.00	275.45
Market value/share-average during the year	Rs	163.20	237.91	241.38	435.45	343.47	343.69
Price earning ratio	Times	7.62	10.98	9.83	10.77	10.52	8.35
Earnings per share (a)	Rs	29.57	18.99	28.63	31.08	30.13	43.71
Earnings per share (b)	Rs	12.32	12.66	19.09	31.08	30.13	43.71
Dividend per share	Rs	17.50	12.50	12.50	15.00	15.00	16.00
Cash dividend Payout	%	59.19	65.84	43.66	40.22	49.79	36.61
Cash dividend Yield	%	9.95	5.76	5.10	4.87	4.60	4.69
Cash dividend cover	%	169.03	151.86	229.03	248.62	200.85	273.18
Bonus shares	%	60.00	-	-	50.00	-	20.00
OTHER INFORMATION							
Contributuin to national exchequer		2,704	3,145	2,813	5,624	5,579	5,832
Foreign exchange savings(US $ million)		107	108	180	299	278	370
Market Capitalization (Rs millions)		18,497	27,400	36,980	65,996	62,488	71,918

(a) Calculated on shares outstanding as at June 30, of each year
(b) Calculated on shares outstanding as at June 30, 2008



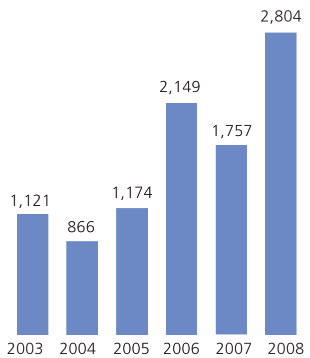




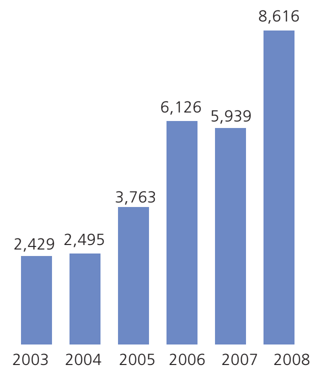


Six Years at a Glance

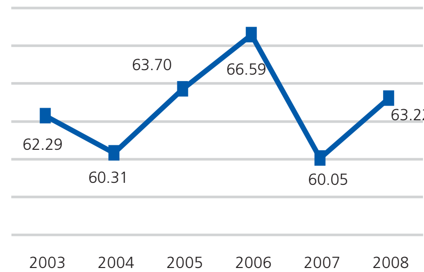
Taxation (Rs in million)



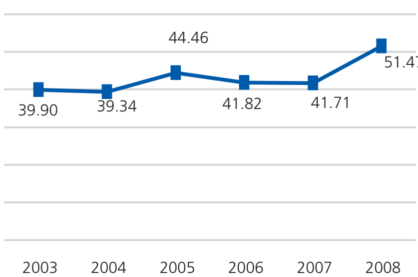
Profit after tax (Rs in million)



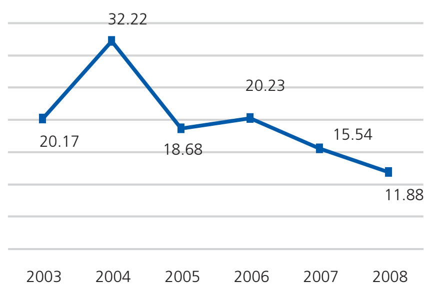
Gross profit margin (%)



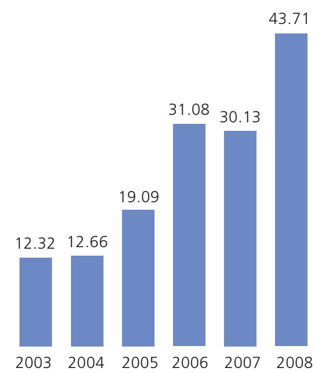
Net profit margin (%)



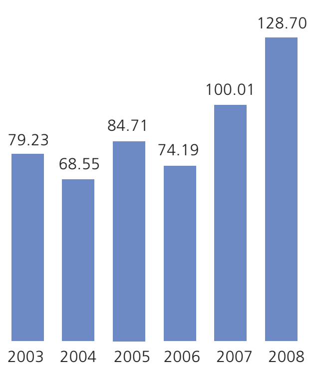
Exploration Cost as % of Profits (%)



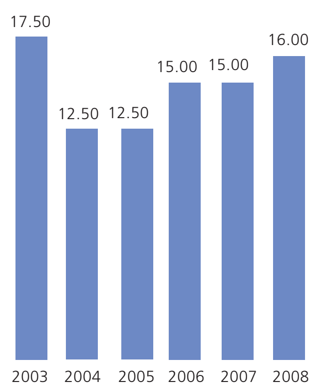
Earnings per share (Rs)



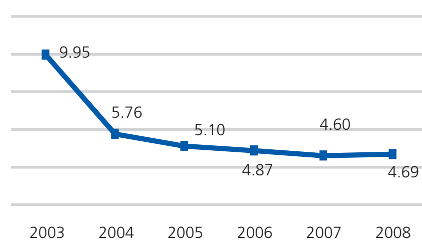
Break-up value per share (Rs)



Dividend per share (Rs)

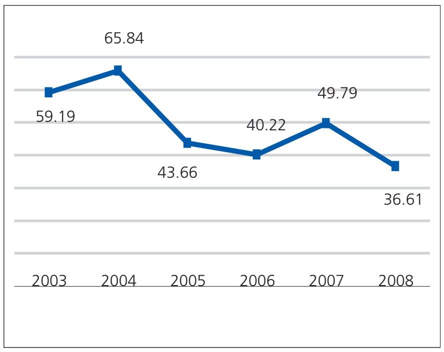


Cash dividend yield (%)

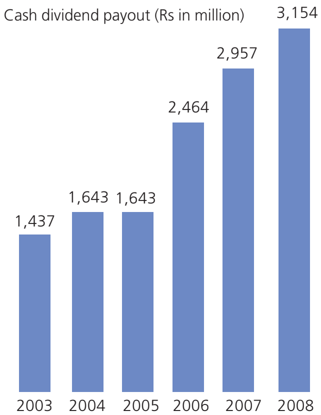


Six Years at a Glance

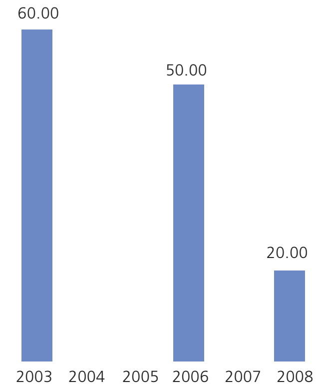
Cash dividend payout (%)



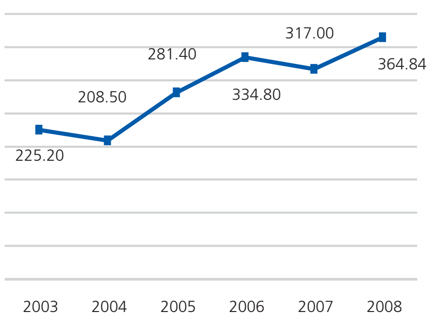
Cash dividend payout (Rs in million)



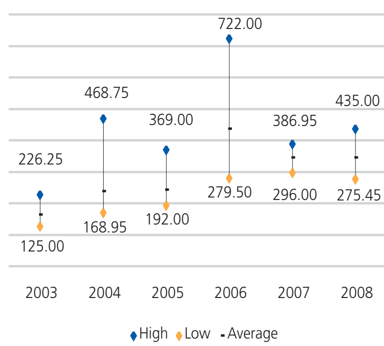
Bonus share (%)



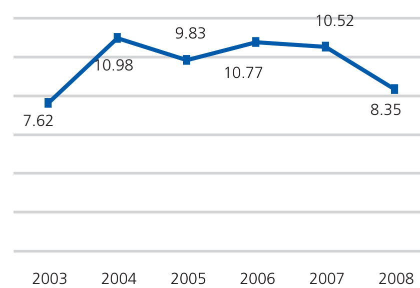
Market value per share- year end (Rs)



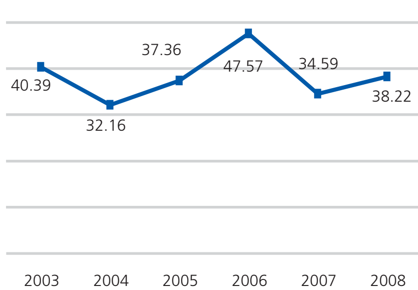
Market value per share (High-Low) (Rs)



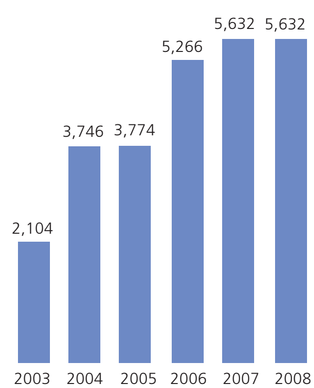
Price earnings ratio (%)



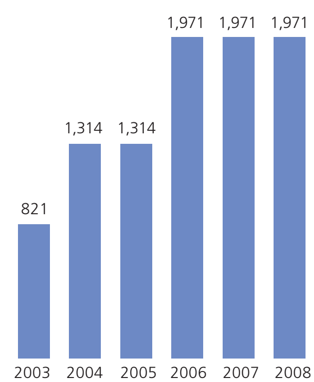
Return on capital employed (%)



No. of shareholders

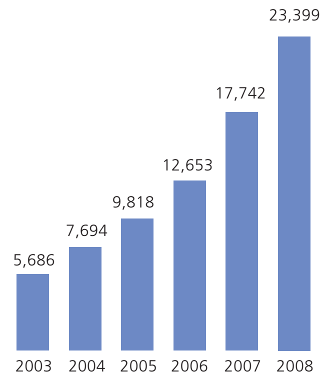


Paid up capital (Rs in million)

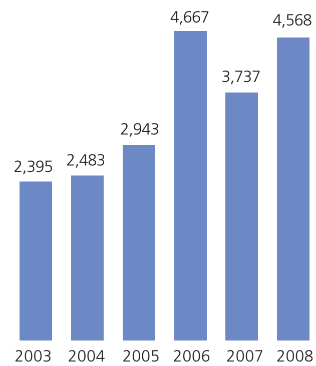


Six Years at a Glance

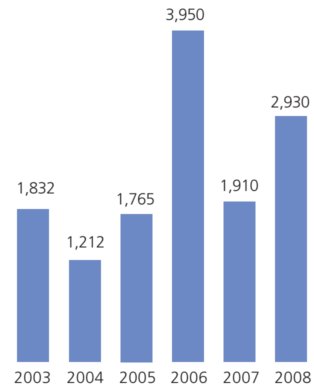
Reserves (Rs in million)



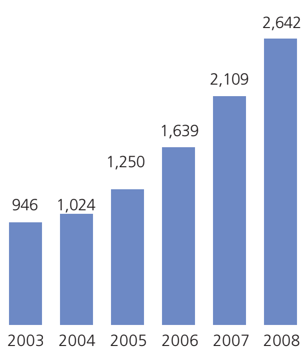
Long term liabilities (Rs in million)



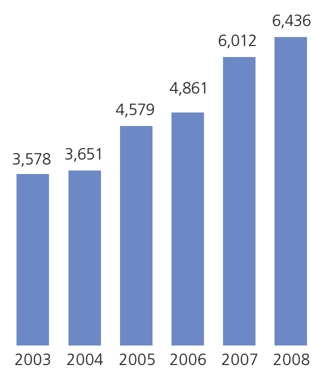
Current liabilities (Rs in million)



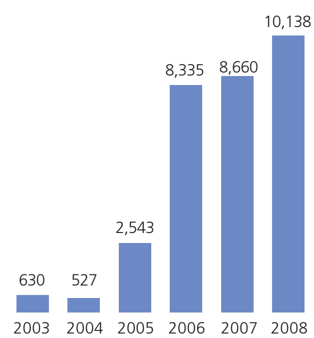
Fixed assets less depreciation (Rs in million)



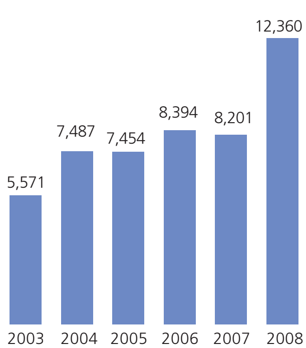
Exploration & Development cost (Rs in million)



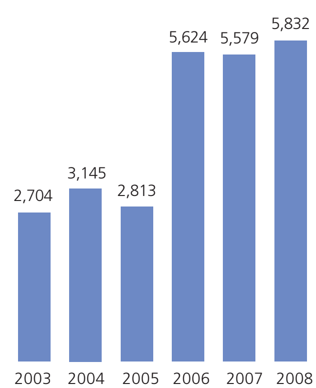
Long term investments (Rs in million)



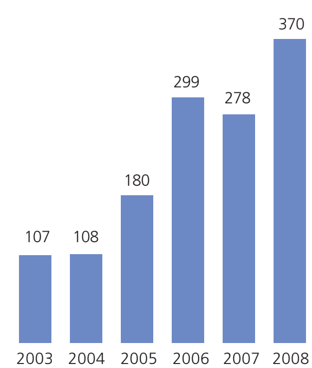
Current assets (Rs in million)



Contribution to exchequer (Rs in million)



Foreign exchange savings (US$ million)



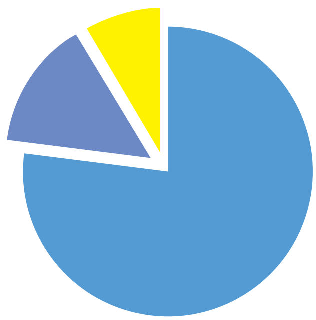
Shareholding in exploration licenses and D&P / mining leases

Exploration License	Operator	Interest %
Ikhlas	Pakistan Oilfields Limited	100.00
Kirthar South	Pakistan Oilfields Limited	85.00
Gurgalot	Oil & Gas Development Company Limited	20.00
Kotra	Oil & Gas Development Company Limited	28.50
Tal Block	MOL Pakistan Oil and Gas Co. B.V.	25.00
Margala	MOL Pakistan Oil and Gas Co. B.V.	30.00
Margala North	MOL Pakistan Oil and Gas Co. B.V.	30.00
D&P / Mining Lease		
Balkassar	Pakistan Oilfields Limited	100.00
Dhulian	Pakistan Oilfields Limited	100.00
Joyamair	Pakistan Oilfields Limited	100.00
Khaur	Pakistan Oilfields Limited	100.00
Meyal / Uchri	Pakistan Oilfields Limited	100.00
Minwal	Pakistan Oilfields Limited	82.50
Pariwali	Pakistan Oilfields Limited	82.50
Pindori	Pakistan Oilfields Limited	35.00
Turkwal	Pakistan Oilfields Limited	67.37
Adhi	Pakistan Petroleum Limited	11.00
Chaknaurang	Oil & Gas Development Company Limited	15.00
Bhangali	Orient Petroleum International Inc.	7.00
Dhurnal	Orient Petroleum International Inc.	5.00
Ratana	Orient Petroleum International Inc.	4.5450
Sara / Suri	Tullow Pakistan (Developments) Limited	14.5451
Manzalai	MOL Pakistan Oil and Gas Co. B.V.	25.00*

* Pre-commerciality interest

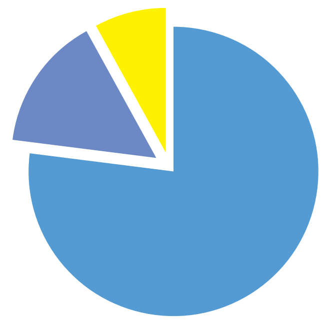
Balance Sheet Composition

2008
Shareholders equity
and liabilities



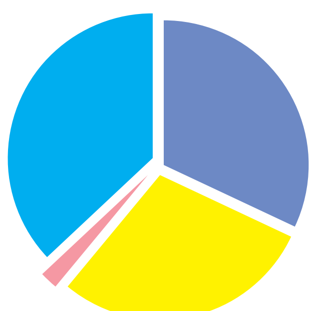
- Shareholders' equity 77%
- Non-current liabilities 14%
- Current liabilities and provisions 9%

2007
Shareholders equity
and liabilities



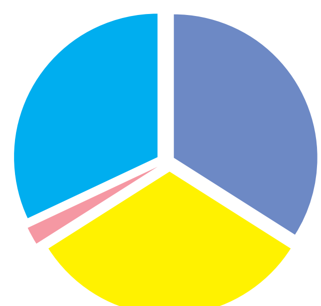
- Shareholders' equity 77%
- Non-current liabilities 15%
- Current liabilities and provisions 8%

2008
Assets



- Fixed assets 32%
- Investment in subsidiary and associated companies 29%
- Other long term investments and advances 2%
- Current assets 37%

2007
Assets



- Fixed assets 34%
- Investment in subsidiary and associated companies 32%
- Other long term investments and advances 2%
- Current assets 32%

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

KARACHI-LAHORE-ISLAMABAD

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 as applicable to the Company for the year ended June 30, 2008 prepared by the Board of Directors of Pakistan Oilfields Limited, to comply with the Listing Regulations of the Stock Exchanges where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

Chartered Accountants

Islamabad
October 08, 2008

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 the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good corporate 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. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board comprises of seven non-executive directors of whom three are independent directors including one director representing institutional equity interest and minority shareholders.

2. None of the directors is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is a member of a stock exchange.

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

5. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.

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

7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Board has been provided with detailed in-house briefings to apprise the directors of their duties and responsibilities.

9. The Board has approved the appointment of the CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

12. 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.

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

14. The Board has formed an audit committee. It comprises three members, all of whom are non-executive directors including the chairman of the committee.

15. The meetings of the audit committee were held at least once every quarter prior to approval of the 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.

16. The Board has set up an effective internal audit function.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program 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 the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

18. 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.

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

Sajid Nawaz
Chief Executive

Damascus, Syria
October 08, 2008

Financial Statements 2008

Auditor's Report to the Members

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

KARACHI-LAHORE-ISLAMABAD

We have audited the annexed balance sheet of Pakistan Oilfields Limited as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establsih 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 account and are further in accordance with accounting policies consistently applied except for the change referred to in note 4.9 to the financial statements, with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business;

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

Islamabad
October 08, 2008

Balance Sheet
As at June 30, 2008

	Note	2008	(Restated) 2007
		Rupees ('000)	
SHARE CAPITAL AND RESERVES			
Authorised capital	6	5,000,000	5,000,000
Issued, subscribed and paid-up capital	6	1,971,216	1,971,216
Revenue reserves			
Insurance reserve	7	200,000	200,000
Unappropriated profit		23,181,549	17,521,879
		23,381,549	17,721,879
Fair value gain on available-for-sale investments		17,151	20,427
		25,369,916	19,713,522
NON CURRENT LIABILITIES			
Long term deposits	8	477,042	471,111
Deferred liabilities	9	4,090,849	3,266,092
		4,567,891	3,737,203
CURRENT LIABILITIES AND PROVISIONS			
Short term finance	10	-	-
Trade and other payables	11	2,226,699	1,601,510
Provision for income tax		703,482	308,059
		2,930,181	1,909,569
CONTINGENCIES AND COMMITMENTS	12		
		32,867,988	25,360,294

	Note	2008	(Restated) 2007
		Rupees ('000)	
FIXED ASSETS			
Property, plant and equipment	13	2,641,866	2,109,061
Development and decommissioning costs	14	6,435,556	6,011,824
Exploration and evaluation assets	15	1,281,794	372,340
		10,359,216	8,493,225
LONG TERM INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES	16	9,615,603	8,056,174
OTHER LONG TERM INVESTMENTS	17	522,365	603,567
LONG TERM LOANS AND ADVANCES	18	10,636	6,817
CURRENT ASSETS			
Stores and spares	19	2,298,593	2,279,523
Stock in trade	20	57,611	69,207
Trade debts	21	1,800,233	2,343,639
Advances, deposits, prepayments and other receivables	22	702,048	259,926
Short term investments	23	76,958	74,913
Cash and bank balances	24	7,424,725	3,173,303
		12,360,168	8,200,511
		32,867,988	25,360,294

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

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

Profit and Loss Account
for the year ended June 30, 2008

	Note	2008	(Restated) 2007
		Rupees ('000)	
SALES		18,245,832	16,331,115
Less: Sales tax		1,506,371	2,091,695
NET SALES	25	16,739,461	14,239,420
Operating costs	26	3,350,552	3,311,370
Excise duty and development surcharge		161,804	182,015
Royalty		1,527,387	1,281,229
Amortisation of development and decommissioning costs		1,116,381	914,486
		6,156,124	5,689,100
GROSS PROFIT		10,583,337	8,550,320
Exploration costs	27	1,023,784	923,313
		9,559,553	7,627,007
Administration expenses	28	52,559	49,885
Finance cost	29	389,054	226,016
Other charges	30	646,915	567,740
		1,088,528	843,641
		8,471,025	6,783,366
Other operating income	31	1,391,892	913,156
		9,862,917	7,696,522
Gain on sale of shares of an associated company	32	1,557,794	-
PROFIT BEFORE TAXATION		11,420,711	7,696,522
Provision for taxation	33	2,804,217	1,757,267
PROFIT FOR THE YEAR		8,616,494	5,939,255
Earnings per share (Rupees)	38	43.71	30.13

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

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

Cash Flow Statement
for the year ended June 30, 2008

	2008	(Restated) 2007
	Rupees ('000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	17,542,085	14,697,261
Operating and exploration costs paid	(4,854,637)	(6,132,034)
Royalty paid	(1,477,474)	(1,255,750)
Taxes paid	(2,070,413)	(1,787,178)
Cash provided by operating activities	9,139,561	5,522,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets additions	(3,133,981)	(2,319,288)
Proceeds from disposal of property, plant and equipment	41,727	10,219
Proceeds from sale of shares of an associated company	1,561,302	-
Purchase of shares of an associated company	(1,562,938)	-
Other investments	107,372	(221,938)
Income on bank deposits and held-to-maturity investments	428,354	306,394
Dividend income received	428,901	255,896
Cash used in investing activities	(2,129,263)	(1,968,717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans and murabaha finance repaid	-	(2,700,000)
Long term deposits received	5,931	26,413
Finance costs paid	(1,719)	(161,596)
Dividend paid	(2,958,908)	(1,478,035)
Cash used in financing activities	(2,954,696)	(4,313,218)
EFFECT OF EXCHANGE RATE CHANGES	195,820	9,156
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	4,251,422	(750,480)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,173,303	3,923,783
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7,424,725	3,173,303

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

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

Statement of Changes in Equity
for the year ended June 30, 2008

	Share capital	Insurance reserve	(Restated) Unappropriated profit	Fair value gain/ (loss) on investments	Total
	Rupees ('000)				
Balance at June 30, 2006 as previously reported	1,971,216	200,000	12,448,385	4,895	14,624,496
Change in accounting policy for exploration and development costs - note 4.9.4	-	-	612,651	-	612,651
Balance at June 30, 2006 - restated	1,971,216	200,000	13,061,036	4,895	15,237,147
Final dividend @ Rs 7.5 per share relating to the year ended June 30, 2006	-	-	(1,478,412)	-	(1,478,412)
Profit for the year ended June 30, 2007 - restated	-	-	5,939,255	-	5,939,255
Fair value gain on available-for-sale investments	-	-	-	15,532	15,532
Balance at June 30, 2007 - restated	1,971,216	200,000	17,521,879	20,427	19,713,522
Final dividend @ Rs 15 per share relating to the year ended June 30, 2007	-	-	(2,956,824)	-	(2,956,824)
Profit for the year ended June 30, 2008	-	-	8,616,494	-	8,616,494
Fair value loss on available-for-sale investments	-	-	-	(3,276)	(3,276)
Balance at June 30, 2008	1,971,216	200,000	23,181,549	17,151	25,369,916

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

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

1. LEGAL STATUS AND OPERATIONS

The Company is incorporated in Pakistan as a public limited company and its shares are quoted on Stock Exchanges in Pakistan. The registered office of the Company is situated at Morgah, Rawalpindi. The Company is principally engaged in exploration, drilling and production of crude oil and gas. Its activities also include marketing of liquefied petroleum gas under the brand name POLGAS and transmission of petroleum. The Company is a subsidiary of The Attock Oil Company Limited, UK and its ultimate parent is Bay View International Group S.A.

2. STATEMENT OF COMPLIANCE

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

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the current year, the Company has adopted IAS 1 (Amendment) - 'Presentation of Financial Statements - Capital Disclosures'. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 36.3.2 to the financial statements. The Company has also adopted IFRS 7 (Financial Instruments : Disclosures) before its effective date, which introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments.

The following standards and interpretations which have not been applied in these financial statements were issued by the International Accounting Standards Board (IASB) but not yet effective:

		Effective for periods beginning on or after
IFRS 8	Operating Segments	April 28, 2008
IAS 1	Presentation of Financial Statements (Revised 2008)	January 1, 2009
IAS 23	Borrowing costs (Revised 2008)	January 1, 2009
IAS 27	Consolidated and separate financial statements (Revised 2008)	January 1, 2009
IAS 29	Financial Reporting in Hyperinflationary Economies	April 28, 2008
IAS 32	Financial Instruments: Presentation (Revised 2008)	January 1, 2009
IFRIC 7	Applying the Restatement Approach under IAS 29	April 28, 2008
IFRIC 12	Service Concession Arrangement	January 1, 2008
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 14	IAS 19 - The Limit on a defined benefit asset, minimum funding requirements and their interaction	January 1, 2008
IFRIC 15	Agreements for the construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008

The management anticipates that adoption of these standards and interpretations in future periods will have no material impact on the Company's financial statements except for additional disclosures when IAS 1 and IFRIC 14 come into effect.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of measurement

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

4.2 Staff retirement benefits

The Company operates following staff retirement benefits plans:

(i) A pension plan for its management staff and a gratuity plan for its management and non-management staff. The pension plan is invested through an approved trust fund. Effective January 01, 2008, a trust fund has been established for gratuity plan. Previously the gratuity plan was a book reserve plan for non management staff only. Both are defined benefit final salary plans. The pension and gratuity plans are complementary plans for management staff. Pension payable to management staff is reduced by an amount determined by the actuary equivalent to amount paid by gratuity fund. Actuarial valuations are conducted annually using the "Projected Unit Credit Method" and the latest valuation was conducted as at June 30, 2008. Since both are complementary plans, combined details and valuation for pension plan and gratuity plan are given in note 37. Actuarial gains and losses are amortized over the expected remaining service of employees.

(ii) Approved contributory provident funds for all employees for which contributions of Rs 14,418 thousand (2007: Rs 13,577 thousand) are charged to income for the year.

4.3 Employee compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company.

4.4 Taxation

Provision for current taxation is based on taxable income at applicable tax rates, adjusted for royalty payments to the Government.

Deferred tax is accounted for on all temporary differences using the liability method. Deferred tax liability has been calculated at the estimated effective rate of 30% after taking into account availability of future depletion allowance and set off available in respect of royalty payments to the Government.

4.5 Provisions

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

4.6 Provision for decommissioning cost

Provision for decommissioning is recognised in full for development wells and production facilities. The amount recognised is the present value of the estimated cost to abandon a well and remove production facilities. A corresponding intangible asset of an amount equivalent to the provision is also created and is amortized on unit of production basis or @ 5% where the life of a field is more than 20 years.

Most of these abandonment and removal events are many years in the future and the precise requirements that will have to be met when the abandonment and removal event actually occurs are uncertain. Abandonment and asset removal technologies and cost are constantly changing, as well as political, environmental, safety and public expectations. Consequently, the timing and amount of future cash flows are subject to significant uncertainty.

The timing and amount of future expenditures are reviewed annually, together with the interest rate to be used in discounting the cash flows.

The effect of changes resulting from revisions to the estimate of the liability are incorporated on a prospective basis.

The decommissioning cost has been discounted at real discount rate of 5% p.a. (2007: 5%). The increase in provision due to unwinding of discount is recorded as finance cost.

4.7 Trade and other payables

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

4.8 Property, plant and equipment

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

Depreciation is provided on straight line method at rates specified in note 13 to the financial statements. Depreciation is charged on additions during the year from the month they become available for their intended use upto the month in which they are derecognized.

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

4.9 Exploration assets/costs and development costs

4.9.1 Exploration and development costs are accounted for using the "Successful Efforts Method" of accounting.

4.9.2 Exploration costs

Effective July 01, 2007 the Company has changed its accounting policy related to the treatment of exploration assets/costs. Previously, exploration costs were expensed as incurred but were capitalised related to discovery of oil and gas reserves and in respect of which commercial discovery was declared.

As per new policy, all exploration costs, other than those relating to exploratory drilling, are charged to income as incurred. Exploratory drilling costs i.e. costs directly associated with drilling of an exploratory well, are initially capitalized pending determination of proven reserves. These costs are either charged to income if no proved reserves are found or transferred to development costs if proved reserves are found.

All capitalized costs are subject to review for impairment at least once a year and any impairment determined is immediately charged to income.

4.9.3 Development costs

Development costs are stated at cost less accumulated amortization and impairment losses. Expenditure on drilling of development wells, including unsuccessful development wells, is capitalized within development costs. Capitalized development costs are amortized on a unit of production basis or @ 5% per annum where the life of the field is more than 20 years.

4.9.4 Reason and effect of change in accounting policy

Management believes that the application of the new policy will provide more relevant information consistent with industry practice making the Company's financial statements more comparable.

This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2007 have been restated. The effect of the change on 2007 is given below. Opening retained earnings for 2007 have been increased by Rs 612,651 thousand, which is the amount of the adjustment relating to periods prior to 2007.

	Rupees ('000)
Effect on 2007	
Decrease in amortisation of development cost	13,796
(Increase) in exploration costs	(581,529)
Decrease in other charges	
- Workers' Profit Participation Fund	30,881
- Workers' Welfare Fund	10,787
(Increase)/ decrease in provision for taxation	
- Current	(19,587)
- Deferred	170,320
(Decrease) in profit (Decrease in earnings per share Rs 1.90)	(375,332)
Effect on periods prior to 2007	
Decrease in exploration costs	907,631
(Increase) in Workers' Profit Participation Fund	(45,382)
(Increase)/ decrease in provision for taxation	
- Current	22,691
- Deferred	(272,289)
Increase in opening retained earnings	612,651
	237,319
Increase in exploration and evaluation assets	372,340
(Decrease) in development cost	(32,442)
(Increase) in deferred liabilities	(101,969)
(Increase) in trade and other payables	(3,714)
Decrease in provision for income tax	3,104
Increase in equity	237,319

4.10 Investments in subsidiary and associated companies

These investments are carried at cost less impairment losses. The profits and losses of the subsidiary and associated companies are carried forward in the financial statements of the subsidiary and associated companies and not dealt with in or for the purpose of these financial statements except to the extent of dividend declared by the subsidiary and associated companies. Gain and loss on disposal of investment is included in income currently.

4.11 Financial Assets

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

(i) Held-to-maturity investments

Investments with fixed payments and maturity that the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments and are carried at cost less impairment losses.

(ii) Loans and receivables

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

(iii) Available-for-sale investments

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

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

4.12 Impairment

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

4.13 Stores and spares

Stores and spares are valued at cost determined on moving average formula less allowance for obsolete items. Stores in transit are stated at invoice value plus other charges paid thereon.

4.14 Stock in trade

Stocks are valued at the lower of average annual cost (including appropriate production overheads) and net realisable value. Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs necessary to be incurred for its sale.

4.15 Trade debts and other receivables

Trade debts and other receivables are initially carried at original invoice amount less allowance for any uncollectible amounts. An allowance for uncollectible amounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than credit period specified in sales agreements) are considered indicators that the trade debt is uncollectible. When a trade debt is uncollectible, it is written off against the allowance.

4.16 Revenue recognition

Revenue from sales is recognised on despatch of products to customers. Revenue from services is recognised when the related services are rendered. Effect of adjustment, if any, arising from revision in sale price is reflected as and when the prices are finalized with the customers and/or approved by the Government.

Income on held-to-maturity investments and bank deposits is recognised on time proportion basis using the effective yield method.

Dividend income is recognised when the right to receive payment is established.

4.17 Joint ventures

The Company's share in transactions and balances related to joint venture operations in which the Company has a working interest are accounted for on the basis of latest available audited accounts of the joint venture and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the balance sheet date.

4.18 Dividend distribution

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

4.19 Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of transaction. All assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling on the date of the balance sheet. Exchange differences are dealt with through the profit and loss account.

4.20 Financial instruments

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

4.21 Offsetting

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

4.22 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and finances under mark up arrangements.

4.23 Functional and presentation currency

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Estimate of recoverable amount of investment in an associated company - note 16.1

ii) Estimated crude oil/ gas reserves used for amortisation of development and decommissioning costs - note 14

iii) Estimated costs and discount rate used for provision for decommissioning cost - note 9

iv) Price adjustment related to crude oil sales - note 4.16

v) Staff retirement benefits - note 37

vi) Provision for income tax - note 33

	2008	2007
	Rupees ('000)	

6. SHARE CAPITAL

	2008	2007
Authorised capital		
500,000,000 (2007: 500,000,000) ordinary shares of Rs 10 each	5,000,000	5,000,000
Issued, subscribed and paid up capital		
Shares issued for cash		
20,200,000 (2007: 20,200,000) ordinary shares	202,000	202,000
Shares issued as fully paid bonus shares		
176,921,600 (2007: 176,921,600) ordinary shares	1,769,216	1,769,216
197,121,600 (2007: 197,121,600) ordinary shares of Rs 10 each	1,971,216	1,971,216

The Company is a subsidiary of The Attock Oil Company Limited which held 105,952,854 (2007: 105,952,854) ordinary shares at the year end.

7. INSURANCE RESERVE

The Company has set aside an insurance reserve for self insurance of assets which have not been insured and for deductibles against insurance claims.

8. LONG TERM DEPOSITS

	2008	2007
	Rupees ('000)	
Security deposits from distributors against POLGAS equipment	439,850	430,428
Security deposits from distributors against POLGAS distributorship and others	37,192	40,683
	477,042	471,111

9. DEFERRED LIABILITIES

	2008	(Restated) 2007
	Rupees ('000)	
Provision for deferred income tax - note 9.1	2,162,350	1,823,969
Provision for decommissioning cost - note 9.2	1,920,312	1,351,065
Provision for staff gratuity - note 37.1	-	83,018
Provision for staff compensated absences	8,187	8,040
	4,090,849	3,266,092

	2008	(Restated) 2007
	Rupees ('000)	

9.1 Provision for deferred income tax

	2008	2007
The provision for deferred income tax represents:		
Temporary differences between accounting and tax depreciation/amortisation	2,186,743	1,858,472
Provision for staff gratuity	-	(20,164)
Provision for stores and spares	(24,300)	(14,246)
Provision for doubtful receivable	(93)	(93)
	2,162,350	1,823,969

9.2 Provision for decommissioning cost

	2008	2007
Balance brought forward	1,351,065	1,249,343
Revision due to change in estimates	144,765	(77,407)
Provision during the year	47,177	44,472
Utilized during the year	(10,030)	-
Unwinding of discount for the year - note 29	387,335	134,657
	1,920,312	1,351,065

10. SHORT TERM FINANCE

The Company has short-term finance facility of Rs 95,000 thousand (2007: Rs 95,000 thousand) from bank under mark-up arrangements which remained unutilised at the year end. The rate of mark-up is three month KIBOR plus 1.5% per annum (2007: Three month KIBOR plus 1.5% per annum). The facility is secured by hypothecation charge on stores and spares. The facility is renewable annually.

11. TRADE AND OTHER PAYABLES

	2008	(Restated) 2007
	Rupees ('000)	
Creditors	175,078	131,256
Due to related parties		
The Attock Oil Company Limited	-	1,939
Attock Petroleum Limited	20,192	-
Attock Hospital (Pvt) Limited	213	173
Attock Information Technology Services (Pvt) Limited	10,915	-
Capgas (Pvt) Limited	874	253
Joint venture partners		
The Attock Oil Company Limited	38,263	35,550
Others	277,103	127,900
Accrued liabilities	449,305	277,183
Advance payment from customers	30,551	21,660
Royalty	212,794	162,881
Sales tax	36,722	151,837
Excise duty	8,950	12,489
Workers' Profit Participation Fund - note 11.1	534,890	445,986
Workers' Welfare Fund	222,958	186,234
Liability for staff compensated absences	6,187	5,215
Management Staff Pension Fund - note 37.1	-	16,129
Staff Provident Fund	3,971	-
Gratuity Fund - note 37.1	174,270	-
General Staff Provident Fund	722	-
Unclaimed dividends	22,741	24,825
	2,226,699	1,601,510

	2008	(Restated) 2007
	Rupees ('000)	
11.1 Workers' Profit Participation Fund		
Balance at beginning of the year	445,986	441,336
Add: Amount allocated		
For the year	521,874	410,719
For prior years - note 4.9.4	-	45,382
Less: Amount paid to the Fund's trustees	432,970	451,451
	534,890	445,986

	2008	2007
	Rupees ('000)	
12. CONTINGENCIES AND COMMITMENTS		
(i) Tax demands raised in respect of tax years 2004, 2005 and 2006 consequent to difference in interpretation by tax authorities related to calculation of tax liability and depletion allowance, which has not been accepted by the Company and it is contested at the CIT (Appeals) forum.	446,857	-
The management of the Company is confident that the ultimate outcome of the matter would be in their favour and consequently no provision has been made for the tax demands.		
(ii) Indemnity bonds issued to customs authorities, redeemable after submission of usage certificate within five years	-	224,404
(iii) Capital expenditure commitments outstanding		
Share in Joint Ventures	8,513,586	3,208,305
Own fields	2,637,222	154,020
13. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 13.1	2,008,025	2,105,005
Capital work in progress - note 13.5	633,841	4,056
	2,641,866	2,109,061

Notes to and forming part of the Financial Statements continued

for the year ended June 30, 2008

13.1 Operating assets

	Freehold land	Buildings	Pipelines and pumps	Plant and machinery: Field plants	Plant and machinery: Rigs	Gas cylinders	Motor vehicles	Chattels	Computer and software development	Total
	Rupees ('000)									
Year ended June 30, 2008										
Opening net book value	12,337	105,677	226,507	1,393,463	74,170	152,063	94,877	21,032	24,879	2,105,005
Additions	149	6,625	4,123	230,027	31,229	21,700	36,564	6,112	12,109	348,638*
Disposals										
Cost	-	(2,175)	(90,792)	(32,555)	(1,468)	(6,738)	(2,835)	(5,713)	(7,913)	(150,189)*
Depreciation	-	132	26,660	25,681	1,468	6,719	2,596	4,562	7,855	75,673*
	-	(2,043)	(64,132)	(6,874)	-	(19)	(239)	(1,151)	(58)	(74,516)*
Depreciation charge	-	(9,007)	(23,875)	(232,196)	(16,233)	(41,902)	(28,847)	(4,979)	(14,063)	(371,102)
Closing net book value	12,486	101,252	142,623	1,384,420	89,166	131,842	102,355	21,014	22,867	2,008,025
As at June 30, 2008										
Cost	12,486	190,542	456,514	3,059,796	318,428	449,469	198,169	68,548	108,743	4,862,695
Accumulated depreciation	-	(89,290)	(313,891)	(1,675,376)	(229,262)	(317,627)	(95,814)	(47,534)	(85,876)	(2,854,670)
Net book value	12,486	101,252	142,623	1,384,420	89,166	131,842	102,355	21,014	22,867	2,008,025
Year ended June 30, 2007										
Opening net book value	8,367	98,164	224,414	715,450	71,552	183,511	28,122	23,574	24,884	1,378,038
Additions	3,970	15,998	36,016	834,423	17,515	7,772	82,731	2,744	12,618	1,013,787
Disposals										
Cost	-	(352)	(119)	(370)	(1,829)	(251)	(12,411)	(4,953)	(15)	(20,300)
Depreciation	-	292	119	370	625	175	12,406	4,658	15	18,660
	-	(60)	-	-	(1,204)	(76)	(5)	(295)	-	(1,640)
Depreciation charge	-	(8,425)	(33,923)	(156,410)	(13,693)	(39,144)	(15,971)	(4,991)	(12,623)	(285,180)
Closing net book value	12,337	105,677	226,507	1,393,463	74,170	152,063	94,877	21,032	24,879	2,105,005
As at July 1, 2007										
Cost	12,337	186,092	543,183	2,862,324	288,667	434,507	164,440	68,149	104,547	4,664,246
Accumulated depreciation	-	(80,415)	(316,676)	(1,468,861)	(214,497)	(282,444)	(69,563)	(47,117)	(79,668)	(2,559,241)
Net book value	12,337	105,677	226,507	1,393,463	74,170	152,063	94,877	21,032	24,879	2,105,005
Annual rate of										
Depreciation (%)	-	5	10	10	10	10	20	12.5	25	

* Additions and disposals include inter-transfers of assets having book value of Rs 72,654 thousand (cost: Rs 102,067 thousand; depreciation: Rs 29,413 thousand).

	Cost 2008	Cost 2007	Accumulated depreciation 2008	Accumulated depreciation 2007
	Rupees ('000)		Rupees ('000)	

13.2 Cost and accumulated depreciation include:

	Cost 2008	Cost 2007	Accumulated depreciation 2008	Accumulated depreciation 2007
Share in Joint Ventures operated by the Company	1,143,687	1,060,095	578,938	507,405
Share in Joint Ventures operated by others (assets not in possession of the Company)	862,574	830,493	290,798	217,386
	2,006,261	1,890,588	869,736	724,791

13.3 The depreciation charge has been allocated as follows:

		2008	2007
Operating cost		326,268	256,456
Other income	- Rental income	-	13,693
	- Crude transportation income	15,421	15,031
		15,421	28,724
Inter-transfers		29,413	-
		371,102	285,180

13.4 Property, plant and equipment disposals:

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

	Original cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees ('000)				
Motor vehicle	572	238	515	Insurance Claim	Eastern Federal Union Insurance Company Limited

13.5 Capital work in progress:

	Buildings	Plant and machinery / Pipelines and pumps	Computers and software development	Total
	Rupees ('000)			
Balance as at July 1, 2007	3,586	470	-	4,056
Additions during the year	1,515	626,248	6,078	633,841
Transfers during the year	(3,586)	(470)	-	(4,056)
Balance as at June 30, 2008	**1,515**	**626,248**	**6,078**	**633,841**
Balance as at July 1, 2006	14,043	245,591	1,390	261,024
Additions during the year	3,586	470	-	4,056
Transfers during the year	(14,043)	(245,591)	(1,390)	(261,024)
Balance as at June 30, 2007	3,586	470	-	4,056

	2008	2007
	Rupees ('000)	
13.6 Capital work in progress includes:		
Share in Joint Ventures operated by the Company	2,275	642
Share in Joint Ventures operated by others (assets not in possession of the Company)	623,522	-
	625,797	642

	2008	(Restated) 2007
	Rupees ('000)	
14. DEVELOPMENT AND DECOMMISSIONING COSTS		
Development cost		
Balance brought forward - restated	5,664,653	5,248,614
Additions during the year	1,348,171	1,196,659
	7,012,824	6,445,273
Amortisation for the year	(906,858)	(780,620)
	6,105,966	5,664,653
Decommissioning cost		
Balance brought forward	347,171	513,972
Revision due to change in estimates	144,765	(77,407)
Provision during the year	47,177	44,472
	539,113	481,037
Amortisation for the year	(209,523)	(133,866)
	329,590	347,171
	6,435,556	6,011,824

	2008	2007
15. EXPLORATION AND EVALUATION ASSETS		
Balance brought forward - restated	372,340	6,530
Additions during the year	1,849,679	566,438
	2,222,019	572,968
Dry and abandoned wells cost charged to the profit and loss account - note 27	(940,225)	(200,628)
	1,281,794	372,340

	2008		2007	
	Percentage holding	Amount Rs ('000)	Percentage holding	Amount Rs ('000)
16. LONG TERM INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES - AT COST				
Subsidiary company				
Unquoted				
Capgas (Private) Limited 344,250 (2007: 344,250) fully paid ordinary shares of Rs 10 each	51	1,530	51	1,530
Associated companies				
Quoted				
National Refinery Limited - Note 16.1 19,991,640 (2007: 16,659,700) fully paid ordinary shares including 3,331,940 (2007: nil) bonus shares of Rs 10 each Quoted market value as at June 30, 2008: Rs 5,946,913 thousand (2007: Rs 5,680,950 thousand)	25	8,046,635	25	8,046,635
Attock Petroleum Limited (APL) - Note 16.2 3,368,400 (2007:2,807,000) fully paid ordinary shares including Nil (2007: 2,456,125) bonus shares of Rs 10 each Quoted market value as at June 30, 2008: Rs 1,456,092 thousand (2007: Rs 906,661 thousand)	7	1,562,938	7	3,509
Unquoted				
Attock Information Technology Services (Private) Limited (AITSL) 450,000 (2007: 450,000) fully paid ordinary shares of Rs 10 each	10	4,500	10	4,500
		9,615,603		8,056,174

All associated and subsidiary companies are incorporated in Pakistan. Although the Company has less than 20 percent shareholding in APL and AITSL, these have been treated as associates since the Company has representation on their board of directors.

16.1 Based on a valuation analysis carried out by an external investment advisor engaged by the Company, the recoverable amount of investment in National Refinery Limited exceeds its carrying amount. The recoverable amount has been estimated based on a value in use calculation. These calculations have been made on discounted cash flow based valuation methodology which assumes gross profit margin of 5.4% (2007: 6.4%), terminal growth rate of 4% (2007: 5%) and capital asset pricing model based discount rate of 18.64% (2007:14.3%).

16.2 Investment in APL

	2008	
	Number of shares	Rupees ('000)
As at July 1, 2007 (including 2,456,125 bonus shares)	2,807,000	3,509
Bonus shares received during the year	561,400	-
Disposal of shares during the year	(3,368,400)	(3,509)
Purchase of shares during the year	3,368,400	1,562,938
As at June 30, 2008	3,368,400	1,562,938

		2008	2007
		Rupees ('000)	
17.	**OTHER LONG TERM INVESTMENTS**		
	Held-to-maturity investments - at cost Term Finance Certificates of listed companies - note 17.1	53,298	81,161
	WAPDA Bearer Bonds - note 17.2	-	50,000
	Pakistan Investment Bonds - note 17.3	55,036	56,043
		108,334	187,204
	Investments maturing within next twelve months shown under current assets - note 23	24,966	23,300
		83,368	163,904
	Available-for-sale investments - at market value - note 17.4	438,997	439,663
		522,365	603,567

The fair value of held-to-maturity investments at June 30, 2008 was Rs 87,664 thousand (2007: 175,393 thousand).

		Number of certificates	Nominal value of each certificate	Final Maturity date	Mark up %	2008	2007
						Rupees ('000)	
17.1	**Term Finance Certificates of listed companies**						
	Pakistan International Airlines Corporation	10,000	5,000	20-02-2011	8.00-12.50	42,498	44,998
	Al-Zamin Leasing Modaraba	4,000	5,000	20-01-2009	8.00	6,800	13,600
	Pakistan Mobile Communications (Pvt) Ltd	4,000	5,000	16-09-2008	6.00-12.00	4,000	12,000
	Innovative Investment Bank Limited (formerly Innovative Housing Finance Limited)	5,000	5,000			-	10,563
						53,298	81,161
17.2	**WAPDA Bearer Bonds** -10th issue	10,000	5,000	29-04-2008	Base rate-0.25	-	50,000
17.3	**Pakistan Investment Bonds**			30-06-2013	9.00	55,036	56,043

17.4 Available-for-sale investments - at market value

	2008	2007
Balance at the beginning of the year	439,663	103,621
Additions during the year	323,120	320,510
Deletions during the year	(320,510)	-
Fair value gain / (loss) transferred to equity	(3,276)	15,532
Balance at the end of the year	438,997	439,663

		2008				2007
		Number of shares/units	Cost	Adjustment arising from remeasurement to fair value	Market value	Market value
			Rupees ('000)			
17.4.1	**Available-for-sale investments include the following:**					
	Listed securities:					
	Atlas Fund of Funds	5,250,000	50,000	(3,223)	46,777	48,300
	Pakistan Telecommunication Company Limited	250,000	9,462	198	9,660	14,250
	Hub Power Company Limited	250,000	9,263	(2,113)	7,150	9,175
	Oil and Gas Development Company Limited	29	1	3	4	4
	Pakistan State Oil Limited	-	-	-	-	27,010
	Unlisted securities:					
	AMZ Plus Income Fund	1,497,034	162,173	3,807	165,980	150,428
	UTP Income Fund	1,586,047	160,947	4,113	165,060	150,363
	Atlas Asset Management Company	84,862	30,000	14,366	44,366	40,133
			421,846	17,151	438,997	439,663

17.4.2 The fair value of listed securities is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price. The fair values of unlisted securities are the Net Asset Values (NAV) as at June 30, 2008 as quoted by the respective Asset Management Company.

		2008	2007
		Rupees ('000)	

18. LONG TERM LOANS AND ADVANCES, CONSIDERED GOOD

	2008	2007
Chief Executive and Executives	6,243	6,934
Other employees	20,041	19,385
	26,284	26,319
Less: Amount due within twelve months, shown under current loans and advances - note 22	15,648	19,502
	10,636	6,817

18.1 Movement in loans to Chief Executive and Executives

	Balance as at June 30, 2007	Disbursements	Repayments	Balance as at June 30, 2008
	Rupees ('000)			
Chief Executive	2,178	-	1,307	871
Executives	4,756	6,940	6,324	5,372
	6,934	6,940	7,631	6,243

18.2 Loans and advances to employees are for general purpose and for house rent advance which are recoverable in upto 60 and 36 equal monthly instalments respectively and are secured by a charge on the asset purchased and/or amount due to the employee against provident fund. These loans and advances are interest free. These do not include any amount receivable from Directors. The aggregate maximum amount due from the Chief Executive and Executives at the end of any month during the year was Rs 2,069 thousand and Rs 7,269 thousand (2007: Rs 3,267 and Rs 6,686 thousand) respectively.

	2008	2007
	Rupees ('000)	

19. STORES AND SPARES

	2008	2007
Stores and spares - note 19.1	2,379,593	2,327,011
Less: Provision for slow moving items - note 19.2	81,000	47,488
	2,298,593	2,279,523

19.1 Stores and spares include:

	2008	2007
Share in Joint Ventures operated by the Company	144,478	367,831
Share in Joint Ventures operated by others (assets not in possession of the Company)	370,798	273,087
	515,276	640,918

19.2 Provision for slow moving items:

	2008	2007
Balance brought forward	47,488	36,488
Provision for the year	34,154	11,000
Stores written off during the year	(642)	-
	81,000	47,488

20. STOCK IN TRADE

	2008	2007
Crude oil and other products	57,611	69,207

These include Rs 15,056 thousand (2007: Rs 21,659 thousand) being the Company's share in Joint Ventures operated by the Company.

	2008	2007
	Rupees ('000)	

21. TRADE DEBTS

	2008	2007
Due from related parties - note 21.1	1,257,920	1,838,452
Others	542,313	505,187
	1,800,233	2,343,639

21.1 Due from related parties

	2008	2007
Associated companies		
Attock Refinery Limited	1,257,920	1,829,301
Attock Petroleum Limited	-	9,151
	1,257,920	1,838,452

22. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2008	2007
Loans and advances - considered good		
Employees - note 18	15,648	19,502
Suppliers	24,700	28,340
	40,348	47,842
Trade deposits and short term prepayments		
Deposits	942	1,007
Short-term prepayments	21,654	35,370
	22,596	36,377
Interest income accrued	65,562	33,006
Other receivables		
Joint venture partners		
The Attock Oil Company Limited	19,506	-
Others	432,986	85,669
Due from related parties		
Parent company		
The Attock Oil Company Limited	5,554	-
Associated companies		
National Refinery Limited	10,115	13,940
Management Staff Pension Fund - note 37.1	96,646	-
Staff Provident Fund	-	610
General Staff Provident Fund	-	89
Other receivables	8,735	42,393
	573,542	142,701
	702,048	259,926

23. SHORT TERM INVESTMENTS

	2008	2007
Held-to-maturity investments - at cost		
Carry Over Transactions - note 23.1	51,992	51,613
Held-to-maturity investments maturing within next twelve months - note 17	24,966	23,300
	76,958	74,913

23.1 Investment in Carry Over Transactions is at an average interest rate of 14.00% per annum (2007: 13.32% per annum).

	2008	2007
	Rupees ('000)	
24. CASH AND BANK BALANCES		
Bank balance on		
Interest/mark-up bearing saving accounts	1,434,547	1,569,875
Short term deposits	5,897,204	1,554,130
Current accounts	88,185	48,572
	7,419,936	3,172,577
Cash in hand	4,789	726
	7,424,725	3,173,303

Balance with banks include foreign currency balances of US $ 29,942 thousand (2007: US $ 18,581 thousand). The balances in saving accounts and short term deposits earn interest/mark-up ranging from 0.2% to 12.7% (2007: 0.5% to 12%). Bank deposits of Rs 398 thousand (2007: Rs 313,700 thousand) were under lien with bank against letter of credit.

	2008	2007
	Rupees ('000)	
25. NET SALES		
Crude oil	9,811,117	7,675,510
Gas	3,184,422	3,187,136
POLGAS - Refill of cylinders	3,437,216	3,115,909
Solvent oil	231,269	237,028
Sulphur	72,335	19,450
Liquefied petroleum gas	3,102	4,387
	16,739,461	14,239,420
26. OPERATING COSTS		
Operating cost - Own fields	212,760	182,719
Operating cost - Share in Joint Ventures	792,932	809,964
Well workover	192,862	421,867
POLGAS -Cost of gas/ LPG, carriage etc	1,752,991	1,615,911
Head office and insurance charges	40,634	13,064
Pumping and transportation cost	20,509	17,822
Depreciation	326,268	256,456
	3,338,956	3,317,803
Opening stock of crude oil and other products	69,207	62,774
Closing stock of crude oil and other products	(57,611)	(69,207)
	3,350,552	3,311,370

27. EXPLORATION COSTS

		2008	(Restated) 2007
		Rupees ('000)	
Geological and geophysical cost			
Own fields		563	-
Share in Joint Ventures under the operatorship of:			
Pakistan Oilfields Limited	- Kirthar South	(32,122)	500,496
	- Hyderabad	3,111	11,043
	- Ikhlas	11,707	9,636
MOL Pakistan Oil and Gas Company B.V.	- TAL Block	54,060	165,020
	- Margalla Block	16,968	9,100
	- Margalla North Block	19,563	7,114
Oil and Gas Development Company Limited	- Kotra	13,718	18,376
	- Gurgalot	1,991	2,445
	- Chak Naurang	263	-
Tullow Pakistan Developments Limited	- Nawabshah	(4,318)	(974)
ENI Pakistan Limited	- Manchar Block	(1,945)	(368)
Mari Gas Company Limited	- Ziarat Block	-	8
Others		-	789
		83,559	722,685
Dry and abandoned wells cost - note 15			
Own fields	- Khaur	595,443	-
Share in Joint Ventures under the operatorship of:			
Pakistan Oilfields Limited	- Kirthar South	344,782	-
	- Hyderabad	-	200,628
		940,225	200,628
		1,023,784	923,313

28. ADMINISTRATION EXPENSES

	2008	2007
	Rupees ('000)	
Establishment charges	78,938	72,532
Telephone and telex	945	1,170
Medical expenses	3,657	3,342
Printing, stationery and publications	4,313	4,788
Insurance	2,924	2,575
Travelling expenses	1,471	1,799
Motor vehicle running expenses	9,232	8,042
Rent, repairs and maintenance	6,517	5,561
Auditors' remuneration - note 28.1	1,978	2,004
Legal and professional charges	4,171	3,931
Stock exchange and CDC fee	397	5,288
Computer support and maintenance charges	5,085	2,673
Donations *	693	295
Other expenses	888	-
	121,209	114,000
Less: Amount allocated to field expenses	68,650	64,115
	52,559	49,885

* No director or his spouse had any interest in the donee institutions.

		2008	2007
		Rupees ('000)	
28.1	**Auditor's remuneration:**		
	Statutory audit	530	424
	Review of half yearly accounts, audit of consolidated accounts, staff funds, special certifications	586	444
	Tax services	700	1,037
	Out of pocket expenses	162	99
		1,978	2,004
29.	**FINANCE COST**		
	Interest expense on long term loans and murabaha finance	-	90,196
	Provision for decommissioning cost - unwinding of discount - note 9.2	387,335	134,657
	Banks' commission and charges	1,719	1,163
		389,054	226,016

		2008	(Restated) 2007
		Rupees ('000)	
30.	**OTHER CHARGES**		
	Workers' Profit Participation Fund	521,874	410,719
	Workers' Welfare Fund	125,041	157,021
		646,915	567,740

		2008	2007
		Rupees ('000)	
31.	**OTHER OPERATING INCOME**		
	Income from financial assets		
	Income on bank deposits	438,605	279,730
	Income on held-to-maturity investments	21,298	30,371
	Dividend on available-for-sale investments	11,312	11,424
	Exchange gain on financial assets	195,820	9,156
	Profit on disposal of available-for-sale investments	32,497	41,305
	Income from investments in subsidiary and associated companies		
	Dividend from subsidiary and associated companies - note 31.1	417,589	244,472
	Other income		
	Rental income (net of related expenses Rs Nil ; 2007: Rs102,054 thousand)	88,224	103,312
	Crude oil/ gas transportation income (net of related expenses Rs 28,295 thousand; 2007: Rs 31,852 thousand)	126,796	164,460
	Gas processing fee	16,281	13,748
	Profit on sale of property, plant and equipment	39,865	8,579
	Sale of stores and scrap	1,002	4,318
	Other	2,603	2,281
		1,391,892	913,156

	2008	2007
	Rupees ('000)	

31.1 Dividend from subsidiary and associated companies

	2008	2007
Subsidiary company		
Capgas (Pvt) Limited	45,097	13,770
Associated companies		
National Refinery Limited	333,194	208,246
Attock Petroleum Limited	39,298	22,456
	417,589	244,472

32. GAIN ON SALE OF SHARES OF AN ASSOCIATED COMPANY

	2008	2007
Proceeds from sale of shares of Attock Petroleum Limited		
(net of expenses incurred on disposal)	1,561,303	-
Cost of investment disposed off	(3,509)	-
	1,557,794	-

33. PROVISION FOR TAXATION

	2008	(Restated) 2007
	Rupees ('000)	
Current	2,465,836	1,476,587
Deferred	338,381	280,680
	2,804,217	1,757,267

33.1 Reconciliation of tax charge for the year

	2008	2007
Accounting profit	11,420,711	7,696,522
*Tax at applicable tax rate of 50.594% (2007: 49.5841% (restated))	5,778,195	3,816,254
Tax effect of expenses that are not deductible in determining taxable profit	-	813
Tax effect of income that is not taxable or taxable at reduced rates	(1,083,735)	(140,996)
Tax effect of depletion allowance and royalty payments	(1,890,243)	(1,918,804)
Tax charge	2,804,217	1,757,267

* The applicable tax rate is the weighted average of tax rates applicable to income from oil and gas concessions and income from other activities.

34. POLGAS OPERATING RESULTS

	2008	2007
	Rupees ('000)	
Gross sales	3,952,793	3,583,366
Less: Sales tax	515,577	467,457
Net sales	3,437,216	3,115,909
Operating costs	3,076,821	2,589,675
Operating profit	360,395	526,234

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

35.1 The aggregate amounts charged in the accounts of the year for remuneration, including benefits and perquisites, were as follows:

	Chief Executive		Executives	
	2008	2007	**2008**	2007
	Rupees ('000)			
Managerial remuneration	**3,483**	2,904	**33,368**	24,324
Bonus	**1,395**	2,118	**10,835**	14,411
Housing, utility and conveyance	**2,619**	2,311	**27,144**	21,205
Company's contribution to pension and provident funds	**1,045**	871	**9,894**	7,212
Leave passage	**532**	272	**5,063**	2,898
Other benefits	**1,204**	1,028	**9,009**	7,639
	10,278	9,504	**95,313**	77,689
No. of persons, including those who worked part of the year	**1**	1	**39**	27

35.2 In addition to remuneration, the Chairman, the Chief Executive and certain Executives were provided with use of the Company's cars and residential telephone facilities. The Company also provides medical facilities to its staff.

35.3 An honorarium of Rs 919 thousand (2007: Rs 919 thousand) was paid to two Non-Executive Directors.

35.4 Remuneration of Executives are net of charge to subsidiary and associated companies amounting to Rs 5,399 thousand (2007: Rs 5,368 thousand).

36. FINANCIAL INSTRUMENTS

36.1 Financial assets and liabilities

	Held to Maturity Investment	Loans and Receivables	Available for sale Investments	Total
	Rupees ('000)			
June 30, 2008				
Financial Assets				
Maturity up to one year				
Trade debts	**-**	**1,800,233**	**-**	**1,800,233**
Advances , deposits and other receivables	**-**	**655,694**	**-**	**655,694**
Short term investments	**76,958**	**-**	**-**	**76,958**
Cash and cash equivalents	**-**	**7,424,725**	**-**	**7,424,725**
Maturity after one year				
Other long term investments	**83,368**	**-**	**438,997**	**522,365**
Long term loan and advances	**-**	**10,636**	**-**	**10,636**
	160,326	**9,891,288**	**438,997**	**10,490,611**

	Held to Maturity Investment	Loans and Receivables	Available for sale Investments	Total
	Rupees ('000)			
Financial Liabilities				
Maturity up to one year				
Trade and other payables				**2,196,148**
Maturity after one year				
Long term deposits				**477,042**
Decommissioning cost				**1,920,312**
Staff compensated absences				**8,187**
				4,601,689
Off balance sheet items				
Capital expenditure commitments outstanding				**11,150,808**
Letters of credit				**417,591**
				11,568,399
June 30, 2007				
Financial Assets				
Maturity up to one year				
Trade debts	-	2,343,639	-	2,343,639
Advances , deposits and other receivables	-	196,216	-	196,216
Short term investments	74,913	-	-	74,913
Cash and cash equivalents	-	3,173,303	-	3,173,303
Maturity after one year				
Other long term investments	163,904	-	439,663	603,567
Long term loan and advances	-	6,817	-	6,817
	238,817	5,719,975	439,663	6,398,455
Financial Liabilities				
Maturity up to one year				
Trade and other payables				1,579,850
Maturity after one year				
Long term deposits				471,111
Decommissioning cost				1,351,065
Staff gratuity				83,018
Staff compensated absences				8,040
				3,493,084
Off balance sheet items				
Indemnity bonds issued to custom authorities				224,404
Capital expenditure commitments outstanding				3,362,325
Letters of credit				513,020
				4,099,749

36.2 Credit quality of financial assets

The credit quality of Company's financial assets that are neither past due nor impaired have been assessed below by reference to external credit ratings of counterparties determined by The Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

	2008		2007	
	Rating	Balance Rs ('000)	Rating	Balance Rs ('000)
Held-to-maturity investments				
Counterparties with external credit rating	A A -	4,000	A A -	12,000
	A	6,800	A	13,600
	A - (RW)	-	A - (RW)	10,563
Counterparties without external credit rating	*	97,534	*	151,041
		108,334		187,204
Available for sale investments				
Counterparties with external credit rating	5-Star	377,817	5-Star	349,091
	A M 3 +	44,366	A M 3 +	40,133
	A A A	4	A A A	27,014
Counterparties without external credit rating	**	16,810	**	23,425
		438,997		439,663
Trade debts				
Counterparties with external credit rating	A 1 +	1,747,769	A 1 +	2,295,860
	A 1	4,380	A 1	1,306
Counterparties without external credit rating	***	48,084	***	46,473
		1,800,233		2,343,639
Short term investments				
Counterparties without external credit rating	**	51,992	**	51,613
Bank balances				
Counterparties with external credit rating	A 1 +	6,292,985	A 1 +	1,670,680
	A 1(RW)	-	A 1(RW)	437,536
	A 1	284,895	A 1	745,309
	A 2 (RW)	629,616	A 2	237
	A 3	212,440	A 3	318,815
		7,419,936		3,172,577

* Securities issued/supported by Government of Pakistan with no default in the past.
** Equity securities with no defaults in the past.
*** Existing customers (more than 6 months) with no default in the past.

36.3 FINANCIAL RISK MANAGEMENT

36.3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange 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. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from currency exposure, with respect to the US dollar. Currently the foreign exchange risk is restricted to trade debts, bank balances, receivable from/payable to joint venture partners and payable to suppliers.

Financial assets include Rs 3,962,848 thousand (2007: Rs 2,628,662 thousand) and financial liabilities include Rs 561,205 thousand (2007: Rs 324,104 thousand) which were subject to foreign currency risk.

(ii) Price risk

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

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet as available for sale. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the investment policy made by the Company.

Available for sale investments include Rs 438,997 thousand (2007: Rs 439,663 thousand) which were subject to price risk.

(iii) Interest rate risk

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

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

Financial assets include balances of Rs 7,492,077 thousand (2007: Rs 3,362,822 thousand) which are subject to interest rate risk. Applicable interest rates for financial assets have been indicated in respective notes.

(b) Credit risk

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

The Company's credit risk is primarily attributable to its trade debts, held to maturity investments and balances at banks. Credit sales are essentially to an oil refinery and gas marketing companies. The management does not expect these companies to fail to meet their obligations. The credit risk on liquid funds is limited because the other parties are banks and companies with reasonably high credit ratings.

Management does not expect any losses from non-performance by these counterparties. A detailed analysis of credit quality of the financial assets of the Company is given in note 36.2.

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2008, the Company has financial assets of Rs 10,490,611 thousand (2007: Rs 6,398,455 thousand) and Rs 95,000 thousand (2007: Rs 95,000 thousand) available borrowing limits from financial institution.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the maturity date. The amounts disclosed in the table are undiscounted cash flows which have been inflated using appropriate inflation rate.

	Less than 1 year	Between 1 to 5 years	Over 5 years
		Rupes ' 000	
At June 30, 2008			
Long term deposits	**-**	**477,042**	**-**
Provision for Decommissioning Cost	**-**	**1,783,952**	**3,348,601**
Provision for staff compensated absences	**-**	**8,187**	**-**
Trade and other payables	**2,196,148**	**-**	**-**
Capital expenditure commitments outstanding	**11,150,808**	**-**	**-**
At June 30, 2007			
Long term deposits	-	471,111	-
Provision for Decommissioning Cost	-	699,724	2,245,285
Provision for Staff gratuity	-	83,018	-
Provision for staff compensated absences	-	8,040	-
Trade and other payables	1,579,850	-	-
Capital expenditure commitments outstanding	3,362,325	-	-

36.3.2 Capital risk management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. The gearing ratio of the Company has always been low since its inception and the Company has mostly financed its projects and business expansions through equity financing. Further, the Company is not subject to externally imposed capital requirements.

36.3.3 Fair value estimation

Financial assets and liabilities are stated at fair value except for investment in held-to-maturity investments which are stated at cost.

37. STAFF RETIREMENT BENEFITS

The details of actuarial valuation of defined benefit funded plans carried out as at year end are as follows:

37.1 The amounts recognized in the balance sheet are as follows:

	2008	2007
	Rupees ('000)	
Present value of defined benefit obligations	640,154	592,705
Fair value of plan assets	(537,513)	(508,042)
	102,641	84,663
Unrecognized actuarial gains (losses)	(25,017)	14,484
Net liability	77,624	99,147
Amounts in the balance sheet:		
Liabilities - Management Staff Pension Fund - note 11	-	16,129
- Gratuity Fund - note 11 (2007: provision for unfunded non management staff gratuity plan - note 9)	174,270	83,018
Assets - Management Staff Pension Fund - note 22	(96,646)	-
Net liability	77,624	99,147

37.2 The amounts recognized in the profit and loss account are as follows:

	2008	2007
Current service cost	25,340	22,923
Interest cost	63,223	58,127
Expected return on plan assets	(56,677)	(45,767)
Past service cost	(2,921)	1,486
Net actuarial losses recognized during the year	1,167	4,588
Contribution from an associated company	(2,794)	(2,001)
	27,338	39,356

37.3 Actual return on plan assets

	2008	2007
Actual return on plan assets	35,287	84,020

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Funds, at the beginning of the year. Expected yield on fixed interest investments is based on gross redemption yields as at the balance sheet date.

37.4 Changes in the present value of defined benefit obligation are as follows:

	2008	2007
	Rupees ('000)	
Opening defined benefit obligation	592,705	552,713
Current service cost	25,340	22,923
Interest cost	63,223	58,127
Past service cost	3,386	1,486
Actuarial losses / (gains)	19,278	(16,063)
Holding company share of obligation	(26,909)	-
Benefits paid	(36,869)	(26,481)
Obligation at end of the year	640,154	592,705
Less: unfunded obligation	-	(111,154)
Closing defined benefit obligation	640,154	481,551

	2008	2007
	Rupees ('000)	

37.5 Changes in fair value of plan assets are as follows:

	2008	2007
Opening fair value of plan assets	508,042	425,053
Expected return	56,677	45,767
Actuarial gains / (losses)	(21,390)	38,253
Contributions by employer	37,068	18,733
Holding company share of plan assets	(20,602)	-
Benefits paid	(22,282)	(19,764)
Closing fair value of plan assets	537,513	508,042

The Company expects to contribute Rs 35 million to its defined benefit plans during the year ending June 30, 2009.

37.6 The major categories of plan assets as a percentage of total plan assets of defined pension plan are as follows:

	2008		2007	
	Rupees ('000)	%age	Rupees ('000)	%age
Government bonds	156,275	29	23,448	5
Other bonds	-	-	118,668	23
Unit trusts	145,154	27	152,987	30
Shares	28,080	5	18,066	4
Term deposits	167,554	31	184,185	36
Other assets	61,052	12	10,688	2
Allocated to holding company	(20,602)	(4)	-	-
	537,513	100	508,042	100

37.7 Principal actuarial assumptions

The principal assumptions used in the actuarial valuation are as follows:

	2008	2007
	%	%
Discount rate	13.2	11.0
Expected rate of salary increase	11.1	8.9
Expected rate of pension increase	7.9	5.7
Expected rate of return on investments	13.3	11.0

37.8 Amounts for current and previous four annual periods are as follows:

	2008	2007	2006	2005	2004
	Rupees ('000)				
Defined benefit plans					
Defined benefit obligation	640,154	592,705	552,713	489,072	424,960
Plan assets	(537,513)	(508,042)	(425,053)	(379,488)	(355,695)
Deficit / (surplus)	102,641	84,663	127,660	109,584	69,265
Experience adjustments on plan liabilities	19,278	(16,063)	16,143	34,075	5,812
Experience adjustments on plan assets	(21,390)	38,253	2,715	(4,426)	15,539

	2008	(Restated) 2007
	Rupees ('000)	

38. EARNINGS PER SHARE

Profit after tax (in thousand rupees)	8,616,494	5,939,255
Weighted average number of ordinary shares in issue during the year	197,121,600	197,121,600
Basic earnings per share (Rupees)	43.71	30.13

Basic earnings per share previously reported at Rs 32.03 in the financial statements for the year ended June 30, 2007 has been restated to Rs 30.13 as a result of restatement of comparative figures due to change in accounting policy by the Company for recognition of exploration assets/costs and development costs.

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2007 and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

39. TRANSACTIONS WITH RELATED PARTIES

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

	2008	2007
	Rupees ('000)	
Parent company		
The Attock Oil Company Limited		
Purchase of petroleum products	83,252	88,143
Purchase of services	53	336
Sale of services	212	595
Subsidiary company		
Capgas (Private) Limited		
Sale of services	7,562	6,842
Purchase of services	3,569	4,451
Dividend income	45,097	13,770
Associated companies		
Attock Refinery Limited		
Sale of crude oil and gas	9,694,274	7,911,268
Crude oil and gas transmission charges	91,028	121,039
Sale of services	4,735	4,353
Purchase of fuel	5,836	5,954
Purchase of services	1,225	7,901
Purchase of LPG	278,132	295,325
Attock Petroleum Limited		
Purchase of fuel and lubricants	509,490	358,506
Purchase of services	764	711
Sale of solvent oil	172,269	147,923
Sale of services	3,619	4,826
Dividend income	39,298	22,456
National Refinery Limited		
Purchase of services	976	1,666
Sale of services	298	179
Purchase of LPG	375,398	327,796
Dividend income	333,194	208,246

	2008	2007
	Rupees ('000)	
Attock Information Technology (Private) Limited		
Purchase of services	8,355	4,515
Attock Cement Pakistan Limited		
Purchase of services	108	483
Sale of services	59	28
Attock Hospital (Private) Limited		
Purchase of medical services	2,135	2,993
Other related parties		
Contribution to staff retirement benefits plans		
Management Staff Pension Fund and Gratuity Fund	37,068	18,733
Approved Contributory Provident Funds	14,418	13,577
Contribution to Workers' Profit Participation Fund	521,874	410,719

40. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 08, 2008 has approved the transfer of Rs 1,557,794 thousand (2007: Rs nil) to Investment Reserve representing gain on sale of shares of an associated company. The Board of Directors has also proposed for the approval of members at the next Annual General Meeting (i) a 160% (2007: 150%) cash dividend of Rs 16 (2007: Rs 15) per share and (ii) an issue of bonus shares in the proportion of one (2007: nil) share for every five (2007 : nil) shares held i.e. 20% (2007: nil) out of unappropriated profits. These financial statements do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2009.

41. GENERAL

41.1 Capacity

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

41.2 Number of employees

Total number of employees at the end of the year were 810 (2007: 768).

41.3 Corresponding figures

Comparative figures have been restated for change in accounting policy for exploration and development costs as referred in note 4.9.

41.4 Date of authorization

These financial statements were authorized for issue by the Board of Directors of the Company on October 08, 2008.

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

Consolidated Financial Statements 2008

Auditor's Report to the Members

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

KARACHI-LAHORE-ISLAMABAD

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan Oilfields Limited and its subsidiary company, Capgas (Private) Limited as at June 30, 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the separate financial statements of Pakistan Oilfields Limited. Financial statements of subsidiary company Capgas (Private) Limited have been audited by another firm of chartered accountants and whose report has been furnished to us. Our opinion in so far as it relates to the amounts included in respect of this subsidiary company, is based solely on the report of such other auditor. These financial statements are the responsibility of Pakistan Oilfileds Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pakistan Oilfields Limited and its subsidiary company as at June 30, 2008 and the results of their operations for the year then ended.

Chartered Accountants

Islamabad
October 08, 2008

Consolidated Balance Sheet

As at June 30, 2008

	Note	2008	(Restated) 2007
		Rupees ('000)	
SHARE CAPITAL AND RESERVES			
Authorised capital	6	5,000,000	5,000,000
Issued, subscribed and paid-up capital	6	1,971,216	1,971,216
Capital reserve			
Bonus shares issued by subsidiary/associated companies		35,232	26,474
Special reserves	7	1,191,228	451,373
		1,226,460	477,847
Revenue reserves			
Insurance reserve	8	200,000	200,000
General reserve		819,925	258,825
Unappropriated profit		22,757,907	18,611,567
		23,777,832	19,070,392
Fair value gain on available-for-sale investments		21,065	27,054
		26,996,573	21,546,509
MINORITY INTEREST IN EQUITY OF CONSOLIDATED SUBSIDIARY COMPANY		47,473	80,311
NON CURRENT LIABILITIES			
Long term deposits	9	599,265	581,699
Deferred liabilities	10	4,092,054	3,266,092
		4,691,319	3,847,791
CURRENT LIABILITIES AND PROVISIONS			
Short term finance	11	-	-
Trade and other payables	12	2,265,312	1,634,097
Provision for income tax		706,888	314,266
		2,972,200	1,948,363
CONTINGENCIES AND COMMITMENTS	13		
		34,707,565	27,422,974

	Note	2008	(Restated) 2007
		Rupees ('000)	
FIXED ASSETS			
Property, plant and equipment	14	2,704,405	2,138,748
Development and decommissioning costs	15	6,435,556	6,011,824
Exploration and evaluation assets	16	1,281,794	372,340
		10,421,755	8,522,912
LONG TERM INVESTMENTS IN ASSOCIATED COMPANIES	17	11,192,851	9,805,573
OTHER LONG TERM INVESTMENTS	18	618,116	710,520
LONG TERM LOANS AND ADVANCES	19	10,636	6,817
CURRENT ASSETS			
Stores and spares	20	2,299,562	2,279,524
Stock in trade	21	62,960	74,009
Trade debts	22	1,801,756	2,346,907
Advances, deposits, prepayments and other receivables	23	717,263	274,764
Short term investments	24	83,841	77,343
Cash and bank balances	25	7,498,825	3,324,605
		12,464,207	8,377,152
		34,707,565	27,422,974

The annexed notes 1 to 43 form an integral part of these financial statements.

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

Consolidated Profit And Loss Account

for the year ended June 30, 2008

	Note	2008	(Restated) 2007
		Rupees ('000)	
SALES		18,722,408	16,635,787
Less: Sales tax		1,568,533	2,131,435
NET SALES	26	17,153,875	14,504,352
Operating costs	27	3,713,428	3,524,722
Excise duty and development surcharge		161,804	182,015
Royalty		1,527,387	1,281,229
Amortisation of development and decommissioning costs		1,116,381	914,486
		6,519,000	5,902,452
GROSS PROFIT		10,634,875	8,601,900
Exploration costs	28	1,023,784	923,313
		9,611,091	7,678,587
Administration expenses	29	62,044	58,379
Finance cost	30	389,390	226,210
Other charges	31	650,893	572,073
		1,102,327	856,662
		8,508,764	6,821,925
Other operating income	32	996,549	690,162
		9,505,313	7,512,087
Profit/ (loss) on investment in associated companies	33	70,935	-
PROFIT BEFORE TAXATION		9,576,248	7,512,087
Provision for taxation	34	2,837,474	1,776,572
PROFIT AFTER TAXATION		6,738,774	5,735,515
Share in profits of associated companies		1,687,200	1,172,261
		8,425,974	6,907,776
Minority interests in profit of consolidated subsidiary company		(13,097)	(19,953)
PROFIT FOR THE YEAR		8,412,877	6,887,823
Earnings per share (Rupees)	40	42.68	34.95

The annexed notes 1 to 43 form an integral part of these financial statements.

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

Consolidated Cash Flow Statement

for the year ended June 30, 2008

	2008	(Restated) 2007
	Rupees ('000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	17,959,423	14,955,265
Operating and exploration costs paid	(5,222,904)	(6,347,264)
Royalty paid	(1,477,474)	(1,255,750)
Taxes paid	(2,105,266)	(1,817,714)
Cash provided by operating activities	9,153,779	5,534,537
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets additions	(3,176,318)	(2,319,288)
Proceeds from disposal of property, plant and equipment	46,470	12,349
Proceeds from sale of shares of an associated company	1,561,302	-
Purchase of shares of an associated company	(1,562,938)	-
Other investments	108,802	(249,698)
Income on bank deposits and held-to-maturity investments	444,393	328,060
Dividend received from associated companies	372,492	230,702
Dividend received on available for sale investment	17,143	15,861
Cash used in investing activities	(2,188,654)	(1,982,014)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans and murabaha finance repaid	-	(2,700,000)
Long term deposits received	17,566	30,826
Finance costs paid	(2,055)	(161,790)
Dividend paid to company shareholders	(2,958,908)	(1,478,035)
Dividend paid to minority interest	(43,328)	(13,230)
Cash used in financing activities	(2,986,725)	(4,322,229)
EFFECT OF EXCHANGE RATE CHANGES	195,820	9,156
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	4,174,220	(760,550)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,324,605	4,085,155
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7,498,825	3,324,605

The annexed notes 1 to 43 form an integral part of these financial statements.

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

Consolidated Statement of Changes in Equity

for the year ended June 30, 2008

	Share capital	Capital reserves: Bonus shares issued by subsidiary/ associated companies	Capital reserves: Special reserves	(Restated) Revenue reserves: Insurance reserve	(Restated) Revenue reserves: (Restated) General reserve	(Restated) Revenue reserves: (Restated) Unappropriated profit	Fair value gain/ (loss) on investments	Total
	Rupees ('000)							
Balance at June 30, 2006 as previously reported	1,971,216	26,474	327,987	200,000	-	12,971,716	9,545	15,506,938
Change in accounting policy for exploration and development costs - note 4.9.4	-	-	-	-	-	612,651	-	612,651
Balance at June 30, 2006 - restated	1,971,216	26,474	327,987	200,000	-	13,584,367	9,545	16,119,589
Final dividend @ Rs 7.5 per share relating to the year ended June 30, 2006	-	-	-	-	-	(1,478,412)	-	(1,478,412)
Transfer to special reserve by an associated company	-	-	123,386	-	-	(123,386)	-	-
Transfer to general reserve by an associated company - restated	-	-	-	-	258,825	(258,825)	-	-
Profit for the year ended June 30, 2007 - restated	-	-	-	-	-	6,887,823	-	6,887,823
Fair value gain on available-for-sale investments	-	-	-	-	-	-	17,509	17,509
Balance at June 30, 2007 - restated	1,971,216	26,474	451,373	200,000	258,825	18,611,567	27,054	21,546,509
Final dividend @ Rs 15 per share relating to the year ended June 30, 2007	-	-	-	-	-	(2,956,824)	-	(2,956,824)
Bonus shares issued by an associated company	-	33,319	-	-	-	(33,319)	-	-
Sale of bonus shares of an associated company	-	(24,561)	-	-	-	24,561	-	-
Transfer to special reserve by an associated company	-	-	739,855	-	-	(739,855)	-	-
Transfer to general reserve by an associated company	-	-	-	-	561,100	(561,100)	-	-
Profit for the year ended June 30, 2008	-	-	-	-	-	8,412,877	-	8,412,877
Fair value loss on available-for-sale investments	-	-	-	-	-	-	(5,989)	(5,989)
Balance at June 30, 2008	1,971,216	35,232	1,191,228	200,000	819,925	22,757,907	21,065	26,996,573

The annexed notes 1 to 43 form an integral part of these financial statements.

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

1. LEGAL STATUS AND OPERATIONS

Pakistan Oilfields Limited (POL), the holding company is incorporated in Pakistan as a public limited company and its shares are quoted on Stock Exchanges in Pakistan. The registered office of the Company is situated at Morgah, Rawalpindi. The Company is principally engaged in exploration, drilling and production of crude oil and gas. Its activities also include marketing of liquefied petroleum gas under the brand name POLGAS and transmission of petroleum. The Company is a subsidiary of The Attock Oil Company Limited, UK and its ultimate parent is Bay View International Group S.A.

Capgas (Private) Limited, the subsidiary company is incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984 and is principally engaged in buying, filling, distribution and dealing in Liquefied Petroleum Gas (LPG).

For the purpose of these accounts, POL and its consolidated subsidiary are referred as the Company.

2. STATEMENT OF COMPLIANCE

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

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the current year, the Company has adopted IAS 1 (Amendment) - 'Presentation of Financial Statements - Capital Disclosures'. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 38.3.2 to the financial statements. The Company has also adopted IFRS 7 (Financial Instruments : Disclosures) before its effective date, which introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments.

The following standards and interpretations which have not been applied in these financial statements were issued by the International Accounting Standards Board (IASB) but not yet effective:

		Effective for periods beginning on or after
IFRS 8	Operating Segments	April 28, 2008
IAS 1	Presentation of Financial Statements (Revised 2008)	January 1, 2009
IAS 23	Borrowing costs (Revised 2008)	January 1, 2009
IAS 27	Consolidated and separate financial statements (Revised 2008)	January 1, 2009
IAS 29	Financial Reporting in Hyperinflationary Economies	April 28, 2008
IAS 32	Financial Instruments: Presentation (Revised 2008)	January 1, 2009
IFRIC 7	Applying the Restatement Approach under IAS 29	April 28, 2008
IFRIC 12	Service Concession Arrangement	January 1, 2008
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 14	IAS 19 - The Limit on a defined benefit asset, minimum funding requirements and their interaction	January 1, 2008
IFRIC 15	Agreements for the construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008

The management anticipates that adoption of these standards and interpretations in future periods will have no material impact on the Company's financial statements except for additional disclosures when IAS 1 and IFRIC 14 come into effect.

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of POL and its subsidiary Capgas (Private) Limited with 51% holding (2007: 51%).

Subsidiaries are those enterprises in which parent company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investments held by the parent company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

Minority interests are that part of the net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of measurement

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

4.2 Staff retirement benefits

The Company operates following staff retirement benefits plans:

(i) A pension plan for its management staff and a gratuity plan for its management and non-management staff. The pension plan is invested through an approved trust fund. Effective January 01, 2008, a trust fund has been established for gratuity plan. Previously the gratuity plan was a book reserve plan for non management staff only. Both are defined benefit final salary plans. The pension and gratuity plans are complementary plans for management staff. Pension payable to management staff will be reduced by an amount determined by the actuary equivalent to amount payable by gratuity fund. Actuarial valuations are conducted annually using the "Projected Unit Credit Method" and the latest valuation was conducted as at June 30, 2008. Since both are complementary plans, combined details and valuation for pension plan and gratuity plan are given in note 39. Actuarial gains and losses are amortized over the expected remaining service of employees.

(ii) Approved contributory provident funds for all employees for which contributions of Rs 14,418 thousand (2007: Rs 13,577 thousand) are charged to income for the year.

4.3 Employee compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company.

4.4 Taxation

Provision for current taxation is based on taxable income at applicable tax rates, adjusted for royalty payments to the Government.

Deferred tax is accounted for on all temporary differences using the liability method. Deferred tax liability has been calculated at the estimated effective rate of 30% after taking into account availability of future depletion allowance and set off available in respect of royalty payments to the Government.

4.5 Provisions

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

4.6 Provision for decommissioning cost

Provision for decommissioning is recognised in full for development wells and production facilities. The amount recognised is the present value of the estimated cost to abandon a well and remove production facilities. A corresponding intangible asset of an amount equivalent to the provision is also created and is amortized on unit of production basis or @ 5% where the life of a field is more than 20 years.

Most of these abandonment and removal events are many years in the future and the precise requirements that will have to be met when the abandonment and removal event actually occurs are uncertain. Abandonment and asset removal technologies and cost are constantly changing, as well as political, environmental, safety and public expectations. Consequently, the timing and amount of future cash flows are subject to significant uncertainty.

The timing and amount of future expenditures are reviewed annually, together with the interest rate to be used in discounting the cash flows.

The effect of changes resulting from revisions to the estimate of the liability are incorporated on a prospective basis.

The decommissioning cost has been discounted at real discount rate of 5% p.a. (2007: 5%). The increase in provision due to unwinding of discount is recorded as finance cost.

4.7 Trade and other payables

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

4.8 Property, plant and equipment

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

Depreciation is provided on straight line method at rates specified in note 14 to the financial statements. Depreciation is charged on additions during the year from the month they become available for their intended use upto the month in which they are derecognized.

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

4.9 Exploration assets/costs and development costs

4.9.1 Exploration and development costs are accounted for using the "Successful Efforts Method" of accounting.

4.9.2 Exploration costs

Effective July 01, 2007 the Company has changed its accounting policy related to the treatment of exploration assets/costs. Previously, exploration costs were expensed as incurred but were capitalised related to discovery of oil and gas reserves and in respect of which commercial discovery was declared.

As per new policy, all exploration costs, other than those relating to exploratory drilling, are charged to income as incurred. Exploratory drilling costs i.e. costs directly associated with drilling of an exploratory well, are initially capitalized pending determination of proven reserves. These costs are either charged to income if no proved reserves are found or transferred to development costs if proved reserves are found.

All capitalized costs are subject to review for impairment at least once a year and any impairment determined is immediately charged to income.

4.9.3 Development costs

Development costs are stated at cost less accumulated amortization and impairment losses. Expenditure on drilling of development wells, including unsuccessful development wells, is capitalized within development costs. Capitalized development costs are amortized on a unit of production basis, or @ 5% per annum where the life of the field is more than 20 years.

4.9.4 Reason and effect of change in accounting policy

Management believes that the application of the new policy will provide more relevant information consistent with industry practice making the Company's financial statements more comparable.

This change in accounting policies has been accounted for retrospectively, and the comparative statements for 2007 have been restated. The effect of the change on 2007 is given below. Opening retained earnings for 2007 have been increased by Rs 612,651 thousand, which is the amount of the adjustment relating to periods prior to 2007.

	Rupees ('000)
Effect on 2007	
Decrease in amortisation of development cost	13,796
(Increase) in exploration costs	(581,529)
Decrease in other charges	
Workers' profit participation fund	30,881
Workers' welfare fund	10,787
(Increase)/ decrease in provision for taxation	
Current	(19,587)
Deferred	170,320
(Decrease) in profit (Decrease in earnings per share Rs 1.90)	(375,332)
Effect on periods prior to 2007	
Decrease in exploration costs	907,631
(Increase) in workers' profit participation fund	(45,382)
(Increase)/ decrease in provision for taxation	
Current	22,691
Deferred	(272,289)
Increase in opening retained earnings	612,651
	237,319
Increase in exploration and evaluation assets	372,340
(Decrease) in development cost	(32,442)
(Increase) in deferred liabilities	(101,969)
(Increase) in trade and other payables	(3,714)
Decrease in provision for income tax	3,104
Increase in equity	237,319

4.10 Investments in associated companies

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

4.11 Financial Assets

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

(a) Held-to-maturity investments

Investments with fixed payments and maturity that the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments and are carried at cost less impairment losses.

(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 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'Advances, deposits, prepayments and other receivables', 'Long term loans and advances' and 'Cash and bank balances' in the balance sheet. Loans and receivables are carried at amortized cost using the effective interest method.

(c) Available-for-sale investments

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

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

4.12 Impairment

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

4.13 Stores and spares

Stores and spares are valued at cost determined on moving average formula less allowance for obsolete items. Stores in transit are stated at invoice value plus other charges paid thereon.

4.14 Stock in trade

Stocks are valued at the lower of average annual cost (including appropriate production overheads) and net realisable value. Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs necessary to be incurred for its sale.

4.15 Trade debts and other receivables

Trade debts and other receivables are initially carried at original invoice amount less allowance for any uncollectible amounts. An allowance for uncollectible amounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than credit period specified in sales agreements) are considered indicators that the trade debt is uncollectible. When a trade debt is uncollectible, it is written off against the allowance.

4.16 Revenue recognition

Revenue from sales is recognised on despatch of products to customers. Revenue from services is recognised when the related services are rendered. Effect of adjustment, if any, arising from revision in sale price is reflected as and when the prices are finalized with the customers and/or approved by the Government.

Income on held-to-maturity investments and bank deposits is recognised on time proportion basis using the effective yield method.

Dividend income is recognised when the right to receive payment is established.

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

4.17 Joint ventures

The Company's share in transactions and balances related to joint venture operations in which the Company has a working interest are accounted for on the basis of latest available audited accounts of the joint venture and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the balance sheet date.

4.18 Dividend distribution

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

4.19 Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of transaction. All assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling on the date of the balance sheet. Exchange differences are dealt with through the profit and loss account.

4.20 Financial instruments

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

4.21 Offsetting

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

4.22 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and finances under mark up arrangements.

4.23 Functional and presentation currency

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Estimate of recoverable amount of investment in an associated company - note 17.3

ii) Estimated crude oil/gas reserves used for amortisation of development and decommissioning costs - note 15

iii) Estimated costs and discount rate used for provision for decommissioning cost - note 10

iv) Price adjustment related to crude oil sales - note 4.16

v) Staff retirement benefits - note 39

vi) Provision for income tax - note 34

	2008	2007
	Rupees ('000)	
6. SHARE CAPITAL		
Authorised capital		
500,000,000 (2007: 500,000,000) ordinary shares of Rs 10 each	5,000,000	5,000,000
Issued, subscribed and paid up capital		
Shares issued for cash 20,200,000 (2007: 20,200,000) ordinary shares	202,000	202,000
Shares issued as fully paid bonus shares 176,921,600 (2007: 176,921,600) ordinary shares	1,769,216	1,769,216
197,121,600 (2007: 197,121,600) ordinary shares of Rs 10 each	1,971,216	1,971,216

The Company is a subsidiary of The Attock Oil Company Limited which held 105,952,854 (2007: 105,952,854) ordinary shares at the year end.

7. SPECIAL RESERVE

This represents the Company's share of post-acquisition profit set aside as a special reserve by National Refinery Limited, as a result of the directive of the Government to divert net profit after tax above 50 percent of paid-up capital to offset against any future loss or to make investment for expansion or up gradation of refineries.

8. INSURANCE RESERVE

The Company has set aside an insurance reserve for self insurance of assets which have not been insured and for deductibles against insurance claims.

	2008	2007
	Rupees ('000)	
9. LONG TERM DEPOSITS		
Security deposits from distributors against equipment	562,073	541,016
Security deposits from distributors against distributorship and others	37,192	40,683
	599,265	581,699

	2008	(Restated) 2007
	Rupees ('000)	
10. DEFERRED LIABILITIES		
Provision for deferred income tax - note 10.1	2,163,555	1,823,969
Provision for decommissioning cost - note 10.2	1,920,312	1,351,065
Provision for staff gratuity - note 39.1	-	83,018
Provision for staff compensated absences	8,187	8,040
	4,092,054	3,266,092

	2008	(Restated) 2007
	Rupees ('000)	

10.1 Provision for deferred income tax

The provision for deferred income tax represents:

	2008	2007
Temporary differences between accounting and tax depreciation/amortisation	2,187,948	1,858,472
Provision for staff gratuity	-	(20,164)
Provision for stores and spares	(24,300)	(14,246)
Provision for doubtful receivable	(93)	(93)
	2,163,555	1,823,969

10.2 Provision for decommissioning cost

	2008	2007
Balance brought forward	1,351,065	1,249,343
Revision due to change in estimates	144,765	(77,407)
Provision during the year	47,177	44,472
Utilized during the year	(10,030)	-
Unwinding of discount for the year - note 30	387,335	134,657
	1,920,312	1,351,065

11. SHORT TERM FINANCE

The Company has short-term finance facility of Rs 95,000 thousand (2007: Rs 95,000 thousand) from bank under mark-up arrangements which remained unutilised at the year end. The rate of mark-up is three month KIBOR plus 1.5% per annum (2007: Three month KIBOR plus 1.5% per annum). The facility is secured by hypothecation charge on stores and spares. The facility is renewable annually.

	2008	(Restated) 2007
	Rupees ('000)	

12. TRADE AND OTHER PAYABLES

	2008	2007
Creditors	203,303	155,570
Due to related parties		
The Attock Oil Company Limited	-	1,939
Attock Petroleum Limited	20,192	-
Attock Hospital (Pvt) Limited	213	173
Attock Information Technology Services (Pvt) Limited	10,915	-
Joint venture partners		
The Attock Oil Company Limited	38,263	35,550
Others	277,103	127,900
Accrued liabilities	449,648	277,446
Advance payment from customers	35,256	23,308
Royalty	212,794	162,881
Sales tax	36,722	152,517
Excise duty	8,950	12,489
Workers' Profit Participation Fund - note 12.1	538,088	449,204
Workers' Welfare Fund	223,738	187,360
Liability for staff compensated absences	6,187	5,215
Management Staff Pension Fund - note 39.1	-	16,129
Staff Provident Fund	3,971	-
Gratuity Fund - note 39.1	174,270	-
General Staff Provident Fund	722	-
Unclaimed dividends	22,741	24,825
Others	2,236	1,591
	2,265,312	1,634,097

		2008	(Restated) 2007
		Rupees ('000)	
12.1	Workers' Profit Participation Fund		
	Balance at beginning of the year	449,204	445,336
	Add: Amount allocated		
	For the year	525,072	413,937
	For prior years - note 4.9.4	-	45,382
	Less: Amount paid to the Fund's trustees	436,188	455,451
		538,088	449,204

		2008	2007
		Rupees ('000)	
13.	CONTINGENCIES AND COMMITMENTS		
	(i) Tax demands raised in respect of tax years 2004, 2005 and 2006 consequent to difference in interpretation by tax authorities related to calculation of tax liability and depletion allowance, which has not been accepted by the Company and it is contested at the CIT (Appeals) forum.	446,857	-
	The management of the Company is confident that the ultimate outcome of the matter would be in their favour and consequently no provision has been made for the tax demands.		
	(ii) Indemnity bonds issued to customs authorities, redeemable after submission of usage certificate within five years	-	225,208
	(iii) Corporate guarantees and indemnity bonds issued by an associated company to the collector sales tax and Federal Excise, Islamabad	216,006	78,321
	(iv) Capital expenditure commitments outstanding		
	Share in Joint Ventures	8,513,586	3,208,305
	Own fields	2,637,222	154,020
14.	PROPERTY, PLANT AND EQUIPMENT		
	Operating assets - note 14.1	2,060,090	2,134,692
	Capital work in progress - note 14.5	644,315	4,056
		2,704,405	2,138,748

14.1 Operating assets

	Freehold land	Leasehold land	Buildings	Pipelines and pumps	Plant and machinery Field plants	Plant and machinery Rigs	Gas cylinders	Motor vehicles	Chattels	Computer and software development	Total
	Rupees ('000)										
Year ended June 30, 2008											
Opening net book value	12,337	-	107,340	226,304	1,397,466	74,170	175,348	95,687	21,115	24,925	2,134,692
Additions	149	-	6,625	4,123	230,666	31,229	41,122	48,217	6,117	12,253	380,501*
Disposals											
Cost	-	-	(2,175)	(90,792)	(32,555)	(1,468)	(11,358)	(2,835)	(5,713)	(7,913)	(154,809)*
Depreciation	-	-	132	26,660	25,681	1,468	10,284	2,596	4,562	7,855	79,238*
	-	-	(2,043)	(64,132)	(6,874)	-	(1,074)	(239)	(1,151)	(58)	(75,571)*
Depreciation charge	-	-	(9,210)	(23,875)	(233,159)	(16,233)	(47,320)	(30,582)	(5,022)	(14,131)	(379,532)
Closing net book value	12,486	-	102,712	142,420	1,388,099	89,166	168,076	113,083	21,059	22,989	2,060,090
As at June 30, 2008											
Cost	12,486	252	194,610	456,514	3,093,554	318,428	566,423	218,924	69,228	109,660	5,040,079
Accumulated depreciation	-	(252)	(91,898)	(314,094)	(1,705,455)	(229,262)	(398,347)	(105,841)	(48,169)	(86,671)	(2,979,989)
Net book value	12,486	-	102,712	142,420	1,388,099	89,166	168,076	113,083	21,059	22,989	2,060,090
Year ended June 30, 2007											
Opening net book value	8,367	41	100,030	224,211	720,510	71,552	211,905	29,201	23,702	24,963	1,414,482
Additions	3,970	-	15,998	36,016	834,423	17,515	7,772	82,731	2,744	12,618	1,013,787
Disposals											
Cost	-	-	(352)	(119)	(370)	(1,829)	(2,399)	(12,411)	(4,953)	(15)	(22,448)
Depreciation	-	-	292	119	370	625	1,738	12,406	4,658	15	20,223
	-	-	(60)	-	-	(1,204)	(661)	(5)	(295)	-	(2,225)
Depreciation charge	-	(41)	(8,628)	(33,923)	(157,467)	(13,693)	(43,668)	(16,240)	(5,036)	(12,656)	(291,352)
Closing net book value	12,337	-	107,340	226,304	1,397,466	74,170	175,348	95,687	21,115	24,925	2,134,692
As at July 1, 2007											
Cost	12,337	252	190,160	543,183	2,895,443	288,667	536,659	173,542	68,824	105,320	4,814,387
Accumulated depreciation	-	(252)	(82,820)	(316,879)	(1,497,977)	(214,497)	(361,311)	(77,855)	(47,709)	(80,395)	(2,679,695)
Net book value	12,337	-	107,340	226,304	1,397,466	74,170	175,348	95,687	21,115	24,925	2,134,692
Annual rate of											
Depreciation (%)	-		5	10	10	10	10	20	12.5-20	25	

* Additions and disposals include inter-transfers of assets having book value of Rs 72,654 thousand (cost: Rs 102,067 thousand; depreciation: Rs 29,413 thousand).

Notes to and forming part of the Consolidated Financial Statements continued

for the year ended June 30, 2008

	Cost 2008	Cost 2007	Accumulated depreciation 2008	Accumulated depreciation 2007
	Rupees ('000)		Rupees ('000)	

14.2 Cost and accumulated depreciation include:

	Cost 2008	Cost 2007	Accumulated depreciation 2008	Accumulated depreciation 2007
Share in Joint Ventures operated by the Company	1,143,687	1,060,095	578,938	507,405
Share in Joint Ventures operated by others (assets not in possession of the Company)	862,574	830,493	290,798	217,386
	2,006,261	1,890,588	869,736	724,791

14.3 The depreciation charge has been allocated as follows:

		2008	2007
Operating cost		334,354	262,318
Other income	- Rental income	-	13,693
	- Crude transportation income	15,421	15,031
		15,421	28,724
Administration expenses		344	310
Inter-transfers		29,413	-
		379,532	291,352

14.4 Property, plant and equipment disposals:

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

	Original cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees ('000)				
Motor vehicle	572	238	515	Insurance Claim	Eastern Federal Union Insurance Company Limited

14.5 Capital work in progress:

	Buildings	Plant and machinery / Pipelines and pumps	Computers and software development	Total
	Rupees ('000)			
Balance as at July 1, 2007	3,586	470	-	4,056
Additions during the year	1,515	636,722	6,078	644,315
Transfers during the year	(3,586)	(470)	-	(4,056)
Balance as at June 30, 2008	1,515	636,722	6,078	644,315
Balance as at July 1, 2006	14,043	245,591	1,390	261,024
Additions during the year	3,586	470	-	4,056
Transfers during the year	(14,043)	(245,591)	(1,390)	(261,024)
Balance as at June 30, 2007	3,586	470	-	4,056

	2008	2007
	Rupees ('000)	
14.6 Capital work in progress includes:		
Share in Joint Ventures operated by the Company	2,275	642
Share in Joint Ventures operated by others (assets not in possession of the Company)	623,522	-
	625,797	642

15. DEVELOPMENT AND DECOMMISSIONING COSTS

	2008	(Restated) 2007
	Rupees ('000)	
Development cost		
Balance brought forward - restated	5,664,653	5,248,614
Additions during the year	1,348,171	1,196,659
	7,012,824	6,445,273
Amortisation for the year	(906,858)	(780,620)
	6,105,966	5,664,653
Decommissioning cost		
Balance brought forward	347,171	513,972
Revision due to change in estimates	144,765	(77,407)
Provision during the year	47,177	44,472
	539,113	481,037
Amortisation for the year	(209,523)	(133,866)
	329,590	347,171
	6,435,556	6,011,824

16. EXPLORATION AND EVALUATION ASSETS

	2008	2007
Balance brought forward - restated	372,340	6,530
Additions during the year	1,849,679	566,438
	2,222,019	572,968
Dry and abandoned wells cost charged to the profit and loss account - note 28	(940,225)	(200,628)
	1,281,794	372,340

17. LONG TERM INVESTMENTS IN ASSOCIATED COMPANIES - EQUITY BASIS

	2008	2007
	Rupees ('000)	
Beginning of the year	9,805,573	8,864,014
Sale of investment in associated company	(319,956)	-
Purchase of shares of associated company	1,562,938	-
Share of profit of associated companies	1,687,200	1,172,261
Impairment loss against investment in NRL	(1,170,412)	-
Dividend received during the year	(372,492)	(230,702)
End of the year	11,192,851	9,805,573

	2008	2007
	Rupees ('000)	
17.1 The Company's interest in associates are as follows:		
Associated companies		
Quoted		
National Refinery Limited (NRL) - Note 17.3 19,991,640 (2007: 16,659,700) fully paid ordinary shares of Rs 10 each including 3,331,940 (2007:nil) bonus shares of Rs 10 each Cost Rs 8,046,635 thousand (2007: Rs 8,046,635 thousand) Market value as at June 30, 2008: Rs 5,946,913 thousand (2007: Rs 5,680,950 thousand)	9,556,004	9,558,252
Attock Petroleum Limited (APL) - Note 17.4 3,368,400 (2007: 2,807,000) fully paid ordinary shares including Nil (2007: 2,456,125) bonus shares of Rs 10 each. Cost Rs 1,562,938 thousand (2006: Rs 3,509 thousand) Market value as at June 30, 2008: Rs 1,456,092 thousand; (2007: Rs 906,661 thousand)	1,631,460	242,405
Unquoted Attock Information Technology Services (Pvt) Limited (AITSL) Cost Rs 4,500 thousand (2007: Rs 4,500 thousand) 450,000 (2007: 450,000) fully paid ordinary shares of Rs 10 each	5,387	4,916
	11,192,851	9,805,573

All associated companies are incorporated in Pakistan. Although the Company has less than 20 percent shareholding in APL and ATISL, these have been treated as associates since the Company has representation on their board of directors.

17.2 The Company's share in assets, liabilities, revenue and profit/loss of associated companies are as follows:

	Assets	Liabilities	Revenues	Profit	%holding
	Rupees ('000)				
2008					
National Refinery Limited	11,651,154	7,296,393	32,346,454	1,501,358	25
Attock Petroleum Limited	1,088,648	700,170	3,736,281	185,371	7
Attock Information Technology Services (Private) Limited	6,085	698	1,952	471	10
	12,745,887	7,997,261	36,084,687	1,687,200	
2007					
National Refinery Limited	8,160,390	4,973,793	22,831,635	1,050,664	25
Attock Petroleum Limited	630,436	388,031	3,096,860	121,305	7
Attock Information Technology Services (Private) Limited	5,254	338	1,364	292	10
	8,796,080	5,362,162	25,929,859	1,172,261	

17.3 The carrying value of investment in National Refinery Limited at June 30, 2008 is net of impairment loss of Rs 1,170,412 thousand (2007: Nil). The carrying value is based on a valuation analysis carried out by an external investment advisor engaged by the Company. The recoverable amount has been estimated based on a value in use calculation. These calculations have been made on discounted cash flow based valuation methodology which assumes gross profit margin of 5.4% (2007: 6.4%), terminal growth rate of 4% (2007: 5%) and capital asset pricing model based discount rate of 18.64% (2007:14.3%).

	Number of shares	Carrying value Rupees ('000)
17.4 Investment in APL		
As at July 1, 2007 (including 2,456,125 bonus shares)	2,807,000	242,405
Bonus shares received during the year	561,400	-
Share in pre-disposal profit of APL		116,849
Disposal of shares during the year	(3,368,400)	(319,956)
Purchase of shares during the year	3,368,400	1,562,938
Share in post acquisition profit of APL		68,522
Dividend received		(39,298)
As at June 30, 2008	3,368,400	1,631,460

18. OTHER LONG TERM INVESTMENTS

	2008 Rupees ('000)	2007 Rupees ('000)
Held-to-maturity investments - at cost		
Term Finance Certificates of listed companies - note 18.1	83,790	113,083
WAPDA Bearer Bonds - note 18.2	-	50,000
Pakistan Investment Bonds - note 18.3	55,036	56,043
Term deposit - note 18.4	30,000	30,000
	168,826	249,126
Investments maturing within next twelve months shown under current assets - note 24	31,849	25,730
	136,977	223,396
Available-for-sale investments - at market value - note 18.5	481,139	487,124
	618,116	710,520

		Number of certificates	Nominal value of each certificate	Final Maturity date	Mark up %	2008	2007
						Rupees ('000)	
18.1	Term Finance Certificates of listed companies						
	Pakistan International Airlines Corporation	10,000	5,000	20-02-2011	8.00-12.50	42,498	44,998
		200	100,000	20-02-2011	10	16,999	17,999
	Al-Zamin Leasing Modaraba	4,000	5,000	20-01-2009	8.00	6,800	13,600
	Pakistan Mobile Communications (Pvt) Ltd	4,000	5,000	16-09-2008	6.00-12.00	4,000	12,000
	Innovative Investment Bank Limited (formerly Innovative Housing Finance Limited)	5,000	5,000			-	10,563
	United Bank Limited	1,000	5,000	15-03-2013	9.49	4,999	5,000
	Soneri Bank Ltd	1,000	5,000	05-05-2013	12.05	4,994	4,996
	Prime Bank Ltd	658	5,000	10-02-2013	12.33	3,286	3,287
	Pakistan Services Ltd	299	5,000	12-11-2008	11.75	214	640
						83,790	113,083
18.2	WAPDA Bearer Bonds						
	- 10th issue	10,000	5,000	29-04-2008	Base rate-0.25	-	50,000
18.3	Pakistan Investment Bonds			30-06-2013	9.00	55,036	56,043

18.4 Term deposit

This represent amount deposited with Crescent Standard Investment Bank Limited (CSIBL) by Capgas (Private) Limited as a short term deposit. CSIBL went into financial difficulty and finally merged with Innovative Investment Bank Limited (formerly Innovative Housing Finance Limited) on June 28, 2007. In terms of scheme announced by Innovative Housing Finance Limited payment will be made in instalments over the period of sixty one months from the date of take over by Innovative Housing Finance Limited.

18.5 Available-for-sale investments - at market value

	2008	2007
Balance at the beginning of the year	487,124	147,206
Additions during the year	323,120	320,510
Deletions during the year	(320,510)	-
Fair value gain / (loss) transferred to equity	(8,595)	19,408
Balance at the end of the year	481,139	487,124

	2008				2007
	Number of shares/units	Cost	Adjustment arising from remeasurement to fair value	Market value	Market value
		Rupees ('000)			
18.5.1 Available-for-sale investments include the following:					
Listed securities:					
Atlas Fund of Funds	5,250,000	50,000	(3,223)	46,777	48,300
Pakistan Telecommunication Company Limited	250,000	9,462	198	9,660	14,250
Hub Power Company Limited	250,000	9,263	(2,113)	7,150	9,175
Oil and Gas Development Company Limited	45,992	1,469	4,251	5,720	5,474
Pakistan State Oil Limited	-	-	-	-	27,010
Meezan Balance Fund	2,000,000	20,000	(900)	19,100	20,200
Unlisted securities:					
AMZ Plus Income Fund	1,497,034	162,173	3,807	165,980	150,428
UTP Income Fund	1,586,047	160,947	4,113	165,060	150,363
National Investments Trust Units	355,776	13,000	4,326	17,326	21,791
Atlas Asset Management Company	84,862	30,000	14,366	44,366	40,133
		456,314	24,825	481,139	487,124

18.5.2 The fair value of listed securities is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price. The fair values of unlisted securities are the Net Asset Values (NAV) as at June 30, 2008 as quoted by the respective Asset Management Company.

	2008	2007
	Rupees ('000)	

19. LONG TERM LOANS AND ADVANCES, CONSIDERED GOOD

	2008	2007
Chief Executive and Executives	6,243	6,934
Other employees	20,048	19,385
	26,291	26,319
Less: Amount due within twelve months, shown under current loans and advances - note 23	15,655	19,502
	10,636	6,817

19.1 Movement in loans to Chief Executive and Executives

	Balance as at June 30, 2007	Disbursements	Repayments	Balance as at June 30, 2008
	Rupees ('000)			
Chief Executive	2,178	-	1,307	871
Executives	4,756	6,940	6,324	5,372
	6,934	6,940	7,631	6,243

19.2 Loans and advances to employees are for general purpose and for house rent advance which are recoverable in upto 60 and 36 equal monthly instalments respectively and are secured by a charge on the asset purchased and/or amount due to the employee against provident fund. These loans and advances are interest free. These do not include any amount receivable from Directors. The aggregate maximum amount due from the Chief Executive and Executives at the end of any month during the year was Rs 2,069 thousand and Rs 7,269 thousand (2007: Rs 3,267 and Rs 6,686 thousand) respectively.

20. STORES AND SPARES

	2008	2007
	Rupees ('000)	
Stores and spares - note 20.1	2,380,562	2,327,012
Less: Provision for slow moving items - note 20.2	81,000	47,488
	2,299,562	2,279,524

20.1 Stores and spares include:

	2008	2007
Share in Joint Ventures operated by the Company	144,478	367,831
Share in Joint Ventures operated by others (assets not in possession of the Company)	370,798	273,087
	515,276	640,918

20.2 Provision for slow moving items

	2008	2007
Balance brought forward	47,488	36,488
Provision for the year	34,154	11,000
Stores written off during the year	(642)	-
	81,000	47,488

21. STOCK IN TRADE

	2008	2007
Crude oil and other products	62,960	74,009

These include Rs 15,056 thousand (2007: Rs 21,659 thousand) being the Company's share in Joint Ventures operated by the Company.

	2008	2007
	Rupees ('000)	

22. TRADE DEBTS

	2008	2007
Due from related parties - note 22.1	1,257,920	1,838,452
Others	543,836	508,455
	1,801,756	2,346,907

22.1 Due from related parties

	2008	2007
Associated companies		
Attock Refinery Limited	1,257,920	1,829,301
Attock Petroleum Limited	-	9,151
	1,257,920	1,838,452

23. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2008		2007	
Loans and advances - considered good				
Employees - note 19	15,655		19,502	
Suppliers	24,700		28,340	
		40,355		47,842
Trade deposits and short term prepayments				
Deposits	7,921		7,348	
Short-term prepayments	27,199		39,746	
		35,120		47,094
Interest income accrued		68,246		37,124
Other receivables				
Joint venture partners				
The Attock Oil Company Limited	19,506		-	
Others	432,986		85,669	
Due from related parties				
Parent company				
The Attock Oil Company Limited	5,554		-	
Associated companies				
National Refinery Limited	10,115		13,940	
Management Staff Pension Fund - note 39.1	96,646		-	
Staff Provident Fund	-		610	
General Staff Provident Fund	-		89	
Other receivables	8,735		42,396	
		573,542		142,704
		717,263		274,764

24. SHORT TERM INVESTMENTS

	2008	2007
Held-to-maturity investments - at cost		
Carry Over Transactions - note 24.1	51,992	51,613
Held-to-maturity investments maturing within next twelve months - note 18	31,849	25,730
	83,841	77,343

24.1 Investment in Carry Over Transactions is at an average interest rate of 14.00% per annum (2007: 13.32% per annum).

	2008	2007
	Rupees ('000)	

25. CASH AND BANK BALANCES

	2008	2007
Bank balance on		
Interest/mark-up bearing saving accounts	1,473,114	1,595,837
Short term deposits	5,932,204	1,679,130
Current accounts	88,624	48,869
	7,493,942	3,323,836
Cash in hand	4,883	769
	7,498,825	3,324,605

Balance with banks include foreign currency balances of US $ 29,942 thousand (2007: US $ 18,581 thousand). The balances in saving accounts and short term deposits earn interest/mark-up ranging from 0.2% to 13.5% (2007: 0.5% to 13%). Bank deposits of Rs 398 thousand (2007: Rs 313,700 thousand) were under lien with bank against letter of credit.

	2008	2007
	Rupees ('000)	

26. NET SALES (Including Internal Consumption)

	2008	2007
Crude oil	9,811,117	7,675,510
Gas	3,184,422	3,187,136
POLGAS/CAPGAS - Refill of cylinders	3,851,630	3,380,841
Solvent oil	231,269	237,028
Sulphur	72,335	19,450
Liquefied petroleum gas	3,102	4,387
	17,153,875	14,504,352

27. OPERATING COSTS

	2008	2007
Operating cost - Own fields	224,246	190,605
Operating cost - Share in Joint Ventures	792,932	809,964
Well work over	192,862	421,867
POLGAS/CAPGAS - Cost of gas/LPG, carriage etc	2,096,350	1,819,108
Head office and insurance charges	41,329	13,636
Pumping and transportation cost	20,509	17,822
Depreciation	334,354	262,318
	3,702,582	3,535,320
Opening stock of crude oil and other products	73,806	63,208
Closing stock of crude oil and other products	(62,960)	(73,806)
	3,713,428	3,524,722

		2008	(Restated) 2007
		Rupees ('000)	

28. EXPLORATION COSTS

		2008	2007
Geological and geophysical cost			
Own fields		563	-
Share in Joint Ventures under the operatorship of:			
Pakistan Oilfields Limited	- Kirthar South	(32,122)	500,496
	- Hyderabad	3,111	11,043
	- Ikhlas	11,707	9,636
MOL Pakistan Oil and Gas Company B.V.	- TAL Block	54,060	165,020
	- Margalla Block	16,968	9,100
	- Margalla North Block	19,563	7,114
Oil and Gas Development Company Limited	- Kotra	13,718	18,376
	- Gurgalot	1,991	2,445
	- Chak Naurang	263	-
Tullow Pakistan Developments Limited	- Nawabshah	(4,318)	(974)
ENI Pakistan Limited	- Manchar Block	(1,945)	(368)
Mari Gas Company Limited	- Ziarat Block	-	8
Others		-	789
		83,559	722,685
Dry and abandoned wells cost - note 16			
Own fields	- Khaur	595,443	-
Share in Joint Ventures under the operatorship of:			
Pakistan Oilfields Limited	- Kirthar South	344,782	-
	- Hyderabad	-	200,628
		940,225	200,628
		1,023,784	923,313

29. ADMINISTRATION EXPENSES

	2008	2007
	Rupees ('000)	
Establishment charges	86,278	79,065
Telephone and telex	1,154	1,354
Medical expenses	3,657	3,342
Printing, stationery and publications	4,345	4,821
Insurance	2,991	2,657
Travelling expenses	1,786	2,181
Motor vehicle running expenses	9,280	8,105
Rent, repairs and maintenance	6,517	5,561
Auditors' remuneration - note 29.1	1,978	2,004
Legal and professional charges	4,524	4,293
Stock exchange and CDC fee	397	5,288
Computer support and maintenance charges	5,085	2,673
Donations *	693	295
Depriciation	344	310
Other expenses	1,665	545
	130,694	122,494
Less: Amount allocated to field expenses	68,650	64,115
	62,044	58,379

* No director or his spouse had any interest in the donee institutions.

		2008	2007
		Rupees ('000)	
29.1	Auditor's remuneration:		
	Statutory audit	530	424
	Review of half yearly accounts, audit of consolidated accounts, staff funds, special certifications	586	444
	Tax services	700	1,037
	Out of pocket expenses	162	99
		1,978	2,004
30.	FINANCE COST		
	Interest expense on long term loans and murabaha finance	-	90,196
	Provision for decommissioning cost - unwinding of discount - note 10.2	387,335	134,657
	Banks' commission and charges	2,055	1,357
		389,390	226,210

		2008	(Restated) 2007
		Rupees ('000)	
31.	OTHER CHARGES		
	Workers' Profit Participation Fund	525,072	413,937
	Workers' Welfare Fund	125,821	158,136
		650,893	572,073

		2008	2007
		Rupees ('000)	
32.	OTHER OPERATING INCOME		
	Income from financial assets		
	Income on bank deposits	449,875	293,785
	Income on held-to-maturity investments	24,633	33,923
	Dividend on available-for-sale investments	17,143	15,861
	Exchange gain on financial assets	195,820	9,156
	Profit on disposal of available-for-sale investments	32,497	41,305
	Other income		
	Rental income (net of related expenses Rs Nil ; 2007: Rs102,054 thousand)	86,544	101,632
	Crude oil/gas transportation income (net of related expenses Rs 28,295 thousand; 2007: Rs 31,852 thousand)	126,796	164,460
	Gas processing fee	16,281	13,748
	Profit on sale of property, plant and equipment	43,553	10,124
	Sale of stores and scrap	1,025	4,332
	Other	2,382	1,836
		996,549	690,162
33.	PROFIT/(LOSS) ON INVESTMENT IN ASSOCIATED COMPANIES		
	Proceeds from sale of shares of Attock Petroleum Limited (net of expenses incurred on disposal)	1,561,303	-
	Carrying value of investment	(319,956)	-
		1,241,347	-
	Impairment loss on investment in National Refinery Limited	(1,170,412)	
		70,935	-

	2008	(Restated) 2007
	Rupees ('000)	

34. PROVISION FOR TAXATION

	2008	2007
Current - for current year	2,479,217	1,495,892
- for prior year	18,671	-
	2,497,888	1,495,892
Deferred	339,586	280,680
	2,837,474	1,776,572

34.1 Reconciliation of tax charge for the year

	2008	2007
Accounting profit	11,263,448	8,624,348
* Tax at applicable tax rate of 50.39% (2007: 48.42% (restated))	5,675,651	4,204,961
Tax effect of expenses that are not deductible in determining taxable profit	-	810
Tax effect of income that is not taxable or taxable at reduced rates	(756,709)	(34,445)
Tax effect of share of profit of associated companies taxed on the basis of dividend income	(217,519)	(543,161)
Tax effect of depletion allowance and royalty payments	(1,882,620)	(1,851,593)
Tax effect of prior year	18,671	-
Tax charge	2,837,474	1,776,572

* The applicable tax rate is the weighted average of tax rates applicable to income from oil and gas concessions and income from other activities.

35. SHARE IN PROFIT OF ASSOCIATED COMPANIES

Share in profit of associated companies is based on the audited financial statements of the associated companies for the year ended June 30, 2008.

	2008	2007
	Rupees ('000)	
36. Liquefied Petroleum Gas Cylinders Refill Operations		
Gross sales	4,429,369	3,888,038
Less: Sales tax	577,739	507,197
Net sales	3,851,630	3,380,841
Operating costs	3,442,712	2,805,467
Operating profit	408,918	575,374

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

37.1 The aggregate amounts charged in the accounts of the year for remuneration, including benefits and perquisites, were as follows:

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees ('000)					
Managerial remuneration	3,483	2,904	468	468	34,298	25,382
Bonus	1,395	2,118	-	-	11,116	15,554
Housing, utility and conveyance	2,619	2,311	252	252	27,921	22,127
Company's contribution to pension and provident funds	1,045	871	-	-	10,173	7,530
Leave passage	532	272	-	-	5,213	3,121
Other benefits	1,204	1,028	-	-	9,939	8,478
	10,278	9,504	720	720	98,660	82,192
No. of persons, including those who worked part of the year	1	1	2	2	40	29

Notes to and forming part of the Consolidated Financial Statements continued

for the year ended June 30, 2008

37.2 In addition to remuneration, the Chairman, the Chief Executive and certain Executives were provided with use of the Company's cars and residential telephone facilities. The Company also provides medical facilities to its staff.

37.3 An honorarium of Rs 919 thousand (2007: Rs 919 thousand) was paid to two Non-Executive Directors.

37.4 Remuneration of Executives are net of charge to associated companies amounting to Rs 2,712 thousand (2007: Rs 2,649 thousand).

38. FINANCIAL INSTRUMENTS

38.1 Financial assets and liabilities

	Held to Maturity Investment	Loans and receivables	Available for sale Investments	Total
	Rupees ('000)			
June 30, 2008				
Financial Assets				
Maturity up to one year				
Trade debts	-	1,801,756	-	1,801,756
Advances , deposits and other receivables	-	665,364	-	665,364
Short term investments	83,841	-	-	83,841
Cash and cash equivalents	-	7,498,825	-	7,498,825
Maturity after one year				
Other long term investments	136,977	-	481,139	618,116
Long term loan and advances	-	10,636	-	10,636
	220,818	9,976,581	481,139	10,678,538
Financial Liabilities				
Maturity up to one year				
Trade and other payables				2,230,056
Maturity after one year				
Long term deposits				599,265
Decommissioning cost				1,920,312
Staff compensated absences				8,187
				4,757,820
Off balance sheet items				
Capital expenditure commitments outstanding				11,150,808
Letters of credit				422,391
				11,573,199
June 30, 2007				
Financial Assets				
Maturity up to one year				
Trade debts	-	2,346,907	-	2,346,907
Advances , deposits and other receivables	-	206,678	-	206,678
Short term investments	77,343	-	-	77,343
Cash and cash equivalents	-	3,324,605	-	3,324,605
Maturity after one year				
Other long term investments	223,396	-	487,124	710,520
Long term loan and advances	-	6,817	-	6,817
	300,739	5,885,007	487,124	6,672,870
Financial Liabilities				
Maturity up to one year				
Trade and other payables				1,610,789
Maturity after one year				
Long term deposits				581,699
Decommissioning cost				1,351,065
Staff gratuity				83,018
Staff compensated absences				8,040
				3,634,611
Off balance sheet items				
Indemnity bonds issued to custom authorities				225,208
Capital expenditure commitments outstanding				3,362,325
Letters of credit				513,020
				4,100,553

38.2 Credit quality of financial assets

The credit quality of Company's financial assets that are neither past due nor impaired have been assessed below by reference to external credit ratings of counterparties determined by The Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

	2008		2007	
	Rating	Balance Rs ('000)	Rating	Balance Rs ('000)
Held-to-maturity investments				
Counterparties with external credit rating	A A -	12,280	A A -	16,996
	A+	-	A+	3,287
	AA	4,999	AA	5,000
	A	7,014	A	14,240
	A -	30,000	A - (RW)	40,563
Counterparties without external credit rating	*	114,533	*	169,040
		168,826		249,126
Available for sale investments				
Counterparties with external credit rating	5-Star	414,243	5-Star	369,291
	4-Star	-	4-Star	21,791
	A M 3 +	44,366	A M 3 +	40,133
	A A A	5,720	A A A	32,484
Counterparties without external credit rating	**	16,810	**	23,425
		481,139		487,124
Trade debts				
Counterparties with external credit rating	A 1 +	1,747,769	A 1 +	2,295,860
	A 1	4,380	A 1	1,306
Counterparties without external credit rating	***	49,607	***	49,741
		1,801,756		2,346,907
Short term investments				
Counterparties without external credit rating	**	51,992	**	51,613
Bank balances				
Counterparties with external credit rating	A 1 +	6,331,991	A 1 +	1,756,939
	A 1(RW)	-	A 1(RW)	467,536
	A 1	284,895	A 1	745,309
	A 2 (RW)	629,616	A 2	35,237
	A 3	247,440	A 3	318,815
		7,493,942		3,323,836

* Securities issued/supported by Government of Pakistan with no default in the past.

** Equity securities with no defaults in the past.

*** Existing customers (more than 6 months) with no default in the past.

38.3 FINANCIAL RISK MANAGEMENT

38.3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange 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. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from currency exposure, with respect to the US dollar. Currently the foreign exchange risk is restricted to trade debts, bank balances, receivable from/payable to joint venture partners and payable to suppliers.

Financial assets include Rs 3,962,848 thousand (2007: Rs 2,628,662 thousand) and financial liabilities include Rs 561,205 thousand (2007: Rs 324,104 thousand) which were subject to foreign currency risk.

(ii) Price risk

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

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet as available for sale. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the investment policy made by the Company.

Available for sale investments include Rs 481,139 thousand (2007: Rs 487,124 thousand) which were subject to price risk.

(iii) Interest rate risk

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

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

Financial assets include balances of Rs 7,626,136 thousand (2007: Rs 3,575,706 thousand) which are subject to interest rate risk. Applicable interest rates for financial assets have been indicated in respective notes.

(b) Credit risk

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

The Company's credit risk is primarily attributable to its trade debts, held to maturity investments and balances at banks. Credit sales are essentially to an oil refinery and gas marketing companies. The management does not expect these companies to fail to meet their obligations. The credit risk on liquid funds is limited because the other parties are banks and companies with reasonably high credit ratings.

Management does not expect any losses from non-performance by these counterparties. A detailed analysis of credit quality of the financial assets of the Company is given in note 38.2.

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2008, the Company has financial assets of Rs 10,678,538 thousand (2007: Rs 6,672,870 thousand) and Rs 95,000 thousand (2007: Rs 95,000 thousand) available borrowing limits from financial institution.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the maturity date.The amounts disclosed in the table are undiscounted cash flows which have been inflated using appropriate inflation rate.

	Less than 1 year	Between 1 to 5 years	Over 5 years
		Rupees (' 000)	
At June 30, 2008			
Long term deposits	-	599,265	-
Provision for Decommissioning Cost	-	1,783,952	3,348,601
Provision for staff compensated absences	-	8,187	-
Trade and other payables	2,230,056	-	-
Capital expenditure commitments outstanding	11,150,808	-	-
At June 30, 2007			
Long term deposits	-	581,699	-
Provision for Decommissioning Cost	-	699,724	2,245,285
Provision for Staff gratuity	-	83,018	-
Provision for staff compensated absences	-	8,040	-
Trade and other payables	1,610,789	-	-
Capital expenditure commitments outstanding	3,362,325	-	-

38.3.2 Capital risk management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio.The gearing ratio of the Company has always been low since its inception and the Company has mostly financed its projects and business expansions through equity financing. Further, the Company is not subject to externally imposed capital requirements.

38.3.3 Fair value estimation

Financial assets and liabilities are stated at fair value except for investment in held-to-maturity investments which are stated at cost.

39. STAFF RETIREMENT BENEFITS

The details of actuarial valuation of defined benefit funded plans carried out as at year end are as follows:

39.1 The amounts recognized in the balance sheet are as follows:

	2008	2007
	Rupees ('000)	
Present value of defined benefit obligations	640,154	592,705
Fair value of plan assets	(537,513)	(508,042)
	102,641	84,663
Unrecognized actuarial gains (losses)	(25,017)	14,484
Net liability	77,624	99,147
Amounts in the balance sheet:		
Liabilities - Management Staff Pension Fund - note 12	-	16,129
- Gratuity Fund - note 12 (2007: provision for unfunded non management staff gratuity plan - note 10)	174,270	83,018
Assets - Management Staff Pension Fund - note 23	(96,646)	-
Net liability	77,624	99,147

39.2 The amounts recognized in the profit and loss account are as follows:

	2008	2007
Current service cost	25,340	22,923
Interest cost	63,223	58,127
Expected return on plan assets	(56,677)	(45,767)
Past service cost	(2,921)	1,486
Net actuarial losses recognized during the year	1,167	4,588
Contribution from an associated company	(2,794)	(2,001)
	27,338	39,356

39.3 Actual return on plan assets

	2008	2007
Actual return on plan assets	35,287	84,020

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Funds, at the beginning of the year. Expected yield on fixed interest investments is based on gross redemption yields as at the balance sheet date.

39.4 Changes in the present value of defined benefit obligation are as follows:

	2008	2007
Opening defined benefit obligation	592,705	552,713
Current service cost	25,340	22,923
Interest cost	63,223	58,127
Past service cost	3,386	1,486
Actuarial losses / (gains)	19,278	(16,063)
Holding company share of obligation	(26,909)	-
Benefits paid	(36,869)	(26,481)
Obligation at end of the year	640,154	592,705
Less: unfunded obligation	-	(111,154)
Closing defined benefit obligation	640,154	481,551

39.5 Changes in fair value of plan assets are as follows:

	2008	2007
Opening fair value of plan assets	508,042	425,053
Expected return	56,677	45,767
Actuarial gains / (losses)	(21,390)	38,253
Contributions by employer	37,068	18,733
Holding company share of plan assets	(20,602)	-
Benefits paid	(22,282)	(19,764)
Closing fair value of plan assets	537,513	508,042

The Company expects to contribute Rs 35 million to its defined benefit plans during the year ending June 30, 2009.

39.6 The major categories of plan assets as a percentage of total plan assets of defined pension plan are as follows:

	2008		2007	
	Rupees ('000)	%age	Rupees ('000)	%age
Government bonds	156,275	29	23,448	5
Other bonds	-	-	118,668	23
Unit trusts	145,154	27	152,987	30
Shares	28,080	5	18,066	4
Term deposits	167,554	31	184,185	36
Other assets	61,052	12	10,688	2
Allocated to holding company	(20,602)	(4)	-	-
	537,513	100	508,042	100

39.7 Principal actuarial assumptions:

The principal assumptions used in the actuarial valuation are as follows:

	2008	2007
	%	
Discount rate	13.2	11.0
Expected rate of salary increase	11.1	8.9
Expected rate of pension increase	7.9	5.7

39.8 Amounts for current and previous four annual periods are as follows:

	2008	2007	2006	2005	2004
	Rupees ('000)				
Defined benefit plans					
Defined benefit obligation	640,154	592,705	552,713	489,072	424,960
Plan assets	(537,513)	(508,042)	(425,053)	(379,488)	(355,695)
Deficit / (surplus)	102,641	84,663	127,660	109,584	69,265
Experience adjustments on plan liabilities	19,278	(16,063)	16,143	34,075	5,812
Experience adjustments on plan assets	(21,390)	38,253	2,715	(4,426)	15,539

40. EARNINGS PER SHARE

	2008	(Restated) 2007
	Rupees ('000)	
Profit after tax (in thousand rupees)	8,412,877	6,887,823
Weighted average number of ordinary shares in issue during the year	197,121,600	197,121,600
Basic earnings per share (Rupees)	42.68	34.95

Basic earnings per share previously reported at Rs 36.85 in the financial statements for the year ended June 30, 2007 has been restated to Rs 34.95 as a result of restatement of comparative figures due to change in accounting policy by the Company for recognition of exploration assets/costs and development costs.

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2007 and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

41. TRANSACTIONS WITH RELATED PARTIES

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

	2008	2007
	Rupees ('000)	
Parent Company		
The Attock Oil Company Limited		
Purchase of petroleum products	83,252	88,143
Purchase of services	53	336
Sale of services	212	595
Associated Companies		
Attock Refinery Limited		
Sale of crude oil and gas	9,694,274	7,911,268
Crude oil and gas transmission charges	91,028	121,039
Sale of services	4,735	4,353
Purchase of fuel	5,836	5,954
Purchase of services	1,225	7,901
Purchase of LPG	278,132	295,325
Attock Petroleum Limited		
Purchase of fuel and lubricants	509,490	358,506
Purchase of services	764	711
Sale of solvent oil	172,269	147,923
Sale of services	3,619	4,826
Dividend income	39,298	22,456
National Refinery Limited		
Purchase of services	976	1,666
Sale of services	298	179
Purchase of LPG	375,398	327,796
Dividend income	333,194	208,246
Attock Information Technology (Private) Limited		
Purchase of services	8,355	4,515
Attock Cement Pakistan Limited		
Purchase of services	108	483
Sale of services	59	28
Attock Hospital (Private) Limited		
Purchase of medical services	2,135	2,993
Other related parties		
Contribution to staff retirements benefits plans		
Management Staff Pension Fund and Gratuity Fund	37,068	18,733
Approved Contributory Provident Funds	14,418	13,577
Contribution to Workers' Profit Participaiton Fund	525,072	413,937

Notes to and forming part of the Consolidated Financial Statements continued

for the year ended June 30, 2008

42. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 08, 2008 has approved the transfer of Rs 1,557,794 thousand (2007: Rs nil) to Investment Reserve. The Board of Directors has also proposed for the approval of members at the next Annual General Meeting (i) a 160% (2007: 150%) cash dividend of Rs 16 (2007: Rs 15) per share and (ii) an issue of bonus shares in the proportion of one (2007: nil) share for every five (2007 : nil) shares held i.e. 20% (2007: nil) out of unappropriated profits. These financial statements do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2009.

43. GENERAL

43.1 Capacity

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

43.2 Number of employees

Total number of employees at the end of the year were 823 (2007: 782).

43.3 Corresponding figures

Comparative figures have been restated to confirm to the current year's presentation as follows:

- change in accounting policy for exploration and development costs as referred in note 4.9.
- general reserve and unappropriated profit for the year ended June 30, 2007 have been restated for transfer to general reserve by an associated company, as shown in the statement of changes in equity.

43.4 Date of authorization

These financial statements were authorized for issue by the Board of Directors of the Company on October 08, 2008.

Sajid Nawaz
Chief Executive

Abdus Sattar
Director

Notice of Annual General Meeting

Notice is hereby given that the FIFTY SEVENTH Annual General Meeting (being the SEVENTY FORTH General Meeting) of the Company will Insha'Allah be held at Hotel Pearl Continental, Rawalpindi, on Friday October 31, 2008 at 10:00 A.M. to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and approve the audited accounts of the Company together with Directors' and Auditors' Reports for the year ended June 30, 2008.

2. To declare final cash dividend of 160% (Rs16 per share) as recommended by the Board of Directors for the year ended June 30, 2008.

3. To appoint auditors for the year ending June 30, 2009 and fix their remuneration. The present auditors Messrs A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

4. To transact any other business with the permission of the Chairman.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

    a) "Resolved that a sum of Rs 394,243,200/- out of the free reserves of the Company for the year ended June 30, 2008 be capitalized and applied for the issue of 39,424,320 ordinary shares of Rs 10 each allotted as fully paid Bonus Shares to the members of the Company whose names appear on the register of members as at close of business on October 23, 2008, in the proportion of one new share for every five shares held.

    b) That the Bonus Shares so allotted shall rank pari passu in all respects with the existing shares except that they shall not qualify for dividend declared for the year ended June 30, 2008.

    c) That the members entitled to fractions of a share shall be given sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold in the stock market.

    d) That the Secretary of the Company be authorized and empowered to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of the Bonus Shares. In case of non-resident shareholders, the Secretary is further authorized to issue/export the Bonus Shares after fulfilling statutory requirements."

6. To consider and, if thought fit, to pass the following Resolution to authorize the Company to make investments in the associated companies and for this purpose to consider and pass the following resolutions:

    "Resolved that in pursuance to the requirements of section 208 of the Companies Ordinance 1984, the Chief Executive of the Company be and is hereby authorized to invest from time to time as may be considered appropriate, through the Stock Exchange(s), for purchase of the shares of National Refinery Limited (NRL), Attock Refinery Limited (ARL), Attock Petroleum Limited (APL) and Attock Cement Pakistan Limited (ACPL) (Collectively called "Investee Companies") from the general public including shares held by any large shareholder(s), to the extent of a maximum of 5% of the paid up capital of each Investee Company with overall amount not exceeding Rs 3 billion at the price(s) ruling on the date of such purchase(s) in addition to the existing investment of 25% in NRL and 7.0175% in APL."

    "Further resolved that Chief Executive and/or Company Secretary be and are authorized to do all such acts, deeds and thing as may be necessary for the execution of above investment transactions in the best interest of the Company and its members."

BY ORDER OF THE BOARD

Registered Office
POL House,
Morgah, Rawalpindi.
October 10, 2008

Bilal Ahmad
Bilal Ahmad Khan
Company Secretary

NOTES:

PARTICIPATION IN THE ANNUAL GENERAL MEETING.

A member entitled to attend and vote at this meeting is entitled to appoint another member as his / her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.

CDC ACCOUNT HOLDERS WILL FURTHER HAVE TO FOLLOW THE UNDER MENTIONED GUIDELINES AS LAID DOWN BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN.

a. For attending the meeting

In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per regulations shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

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

b. For appointing proxies

1. In case of individuals, the account holders or sub account holders whose registration details are uploaded as per regulations, shall submit the proxy form as per the above requirements.

2. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

3. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

4. The proxies shall produce their original CNIC or original passport at the time of the meeting.

5. In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

CLOSURE OF SHARE TRANSFER BOOKS

The share transfer books of the Company will remain closed and no transfer of shares will be accepted for registration from October 24, 2008 to October 31, 2008 (both days inclusive). Transfers received in order at the Registered Office of the Company by the close of business on October 23, 2008 will be treated in time for the purpose of payment of the final cash dividend and eligibility of bonus shares, if approved by the shareholders.

CHANGE IN ADDRESS

The members are requested to promptly notify any change in their addresses.

STATEMENT UNDER SECTION 160(1) (B) OF THE COMPANIES ORDINANCE, 1984

This statement sets out material facts concerning special business items to be considered at the Fifty-Seventh Annual General Meeting to be held on October 31, 2008.

1. ISSUE OF BONUS SHARES

The Directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs 394,243,200 for the issue of bonus shares in the ratio of one bonus share for every five ordinary shares held.

The Directors of the Company, directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

2. INVESTMENT IN ASSOCIATED COMPANIES:

The Board of Directors has recommended investment in associated companies. All material facts pursuant to section 160(1) (b) of the Companies Ordinance, 1984 and SRO 865 (1)/ 2000 dated December 06, 2000 are given below:

1. Name of the Investee Companies

National Refinery Ltd. (NRL)
Attock Refinery Ltd. (ARL)
Attock Petroleum Ltd. (APL)
Attock Cement Pakistan Ltd. (ACPL)

2. Nature, amount and extent of proposed Investment

Equity Investment to the extent of maximum 5% of paid up capital of each Investee Company with overall amount not exceeding Rs 3 billion in addition to the existing investment of 25% in NRL and 7.0175% in APL.

3. Average market price of the share intended to be purchased during preceding six months. (March-August)

Name of the Company	Average market price (Rs / Share)
NRL	268.75
ARL	200.45
APL	408.00
ACPL	89.40

4. Break-up value of the shares intended to be purchased on the basis of last published accounts (March-2008)

Name of the Company	Break-up Value Rs per share
NRL	184.02
ARL	102.24
APL	94.99
ACPL	47.39

5. Price at which shares will be purchased

Prevailing market price(s) on the date of Purchase (s).

6. Earnings per share of investee Company in the last three years

Name of the Company	2004-05	2005-06	2006-07
NRL	31.82	51.17	63.07
ARL	34.94	6.68	13.17
APL	11.51	34.82	43.22
ACPL	11.94	12.59	11.04

7. Source of funds from where shares will be purchased

Surplus funds / reserves of the Company.

8. Period for which investment will be made

Long term investment for indefinite period.

9. Purpose of investment

Business diversification and expectations of higher returns.

10. Benefits likely to accrue to the Company and the shareholders from the proposed investment

Long term sustainable profits which are likely to enhance returns to members.

11. Interest of the directors and their relatives in the Investee Companies

None of the directors or their relatives has any interest in the above transaction except that some of the directors of Pakistan Oilfields Limited are also Board Directors / Chief Executives of Investee Companies and hold shares in the Investee Companies.

Glossary

Acid Stimulation Job	A job conducted to remove formation damage of a well
Workover Job	To perform one or more of a variety of remedial operations on producing oil and gas wells to try to increase production
BHP	Bottom Hole Pressure
BHA	Bottom Hole Assembly
DSTs	Drill Stem Test
Slick line job	To run down hole gauges impression block feller etc.
TD of Well	Total Depth
2-D	2 Dimensional
3-D	3 Dimensional
EOR	Enhance Oil Recovery
Basin Modelling	Geological Basin
Sakesar	Geological Formation
Datta Sands	Geological Formation
Lockhart Formation	Geological Formation
Patala and Ranikot Formations	Geological Formation
Hangu (Dhak Pass Formation)	Geological Formation
Chorgali Formation	Geological Formation
Lumshiwal Formation	Geological Formation
Miocene Sands	Geological Formation
Paleocene and Jurassic Sands	Geological Age of Rock
Eocene Reservoir	Geological Age of Rock
Jurassic and Paleocene Formation	Geological Age of Rock
Eocene	Geological ages
Seismic Data	To interpret the extent and geometry of rocks in the subsurface

Form of Proxy

Fifty Seventh Annual General Meeting

I/We ____

of____ being a member of Pakistan Oilfields Limited

and holder of ______________________ordinary Shares, Folio No.________________________ hereby appoint

______________________________ of __________ another member of the company Folio No.____________

(or failing him/her ______ of _______ another member of the company Folio No.____ as per Share Register Folio No._____

For beneficial owners as per CDC List

CDC Participant I.D. No. ______________________________ Sub-Account No. _______________________

CNIC No. | | | | | | | | | | | | | | | | or Passport No. _________________________

hereby appoint ________________________________of ___________________ who is also a member of the

Company, Folio No. _____________________or failing him/her ________________of ________________

who is also a member of the Company, Folio No.______________ as my/our proxy to vote and act for me/our behalf at the Fifty Seventh Annual General Meeting of the Company to be held on Friday, October 31, 2008 or at any adjournment thereof.

Please affix rupees five revenue stamp

(Signatures should agree with the specimen signature registered with the Company)

Signature of Shareholder________________

Dated this ____ day of _________2008

Signature of Proxy____________________

For beneficial owners as per CDC list

1. WITNESS:

Signature: ______________________

Name: ________________________

Address: _______________________

CNIC No. | | | | | | | | | | | | | | | |

or Passport No. ______________________________

2. WITNESS:

Signature:______________________

Name: ________________________

Address: ______________________

CNIC No. | | | | | | | | | | | | | | | |

or Passport No. ______________________________

Note: Proxies, in order to be effective, must be received at the Registered Office of the Company at P.O.L. House, Morgah, Rawalpindi not less than 48 hours before the meeting.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with the proxy form before submission to the Company.

The Secretary
Pakistan Oilfields Limited
P.O.L House, Morgah, Rawalpindi,
Tel: (051) 5487589-97, Fax: (051) 5487598-99

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