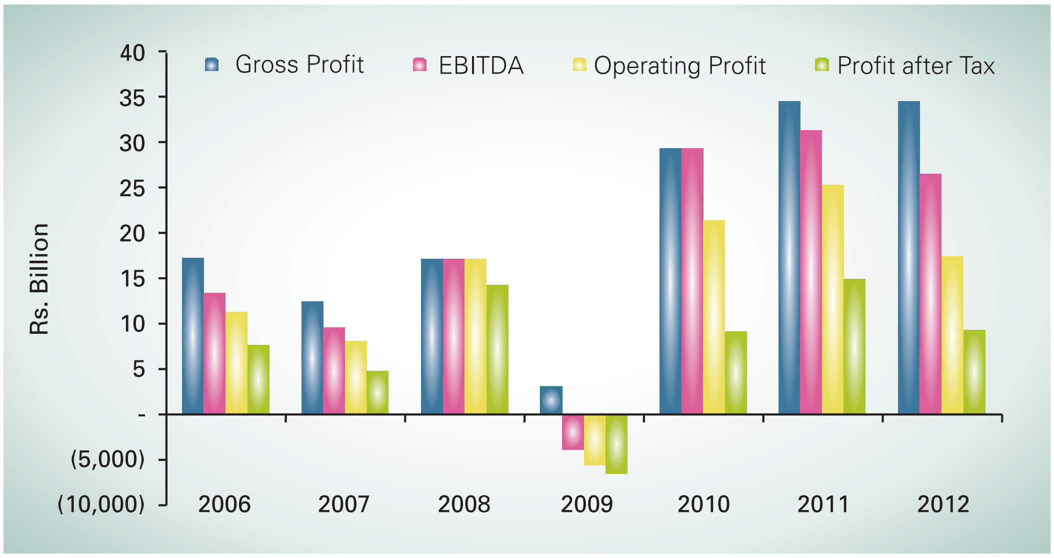
PSO at a Glance

Rupees in Million (unless noted)

	2012	2011	2010	2009	2008	2007	2006
Sales Volume (Million Tons)	12.4	12.9	14.2	13.2	13.0	11.8	9.8
Profit & Loss Account							
Sales Revenue	1,199,928	974,917	877,173	719,282	583,214	411,058	352,515
Net Revenue	1,024,424	820,530	742,758	612,696	495,279	349,706	298,250
Gross Profit	34,323	34,280	29,166	3,010	30,024	12,259	17,207
Operating Profit / (Loss)	17,313	25,217	21,233	(5,577)	22,451	7,950	11,264
Marketing & Administrative Expenses	7,523	6,690	5,181	5,113	4,425	3,748	3,428
Profit / (Loss) before Tax	13,674	17,974	17,963	(11,357)	21,377	7,122	11,418
Profit / (Loss) after Tax	9,056	14,779	9,050	(6,699)	14,054	4,690	7,525
Earning / (Loss) before Interest, taxes, depreciation & Amortization (EBITDA)	26,476	31,017	29,028	(3,983)	23,912	9,420	13,385
Capex	894	862	559	694	620	1,609	751

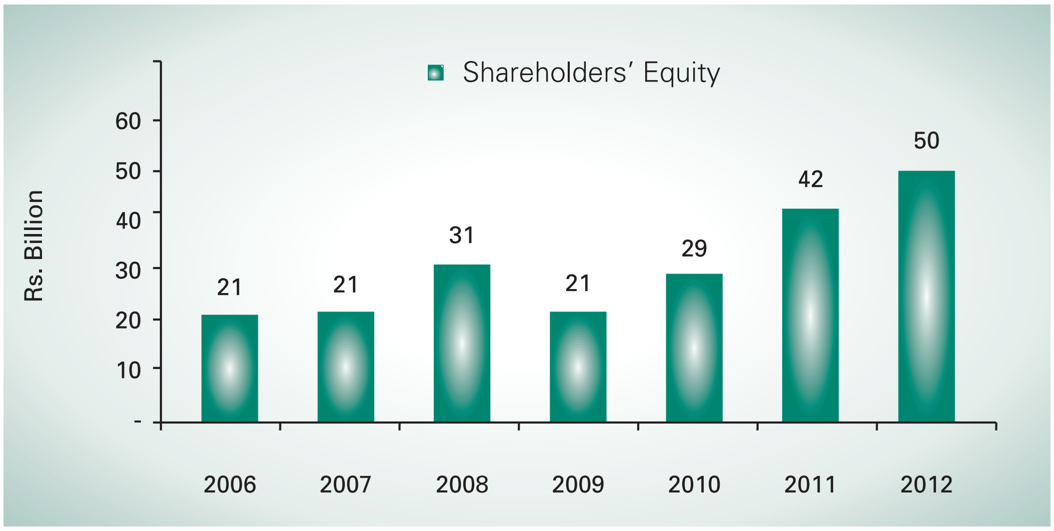


Company's after tax profitability has declined by 39% in Financial Year (FY) 2012 as compared to 2011. This decline was mainly due to the fact that Company has suffered heavy exchange losses amounting to Rs. 8.6 billion versus Rs.0.7 billion last year. Heavy exchange losses were suffered on account of sharp rupee devaluation by 10% approx. as Rupee hit historic low of Rs. 94.38 against US Dollar as of June 30, 2012. Furthermore, in FY 2011, there was one time tax reversal of Rs. 2.3 billion on account of reinstatement of turnover tax from 1%to 0.5% by tax authorities.

PSO at a Glance

Rupees in Million (unless noted)

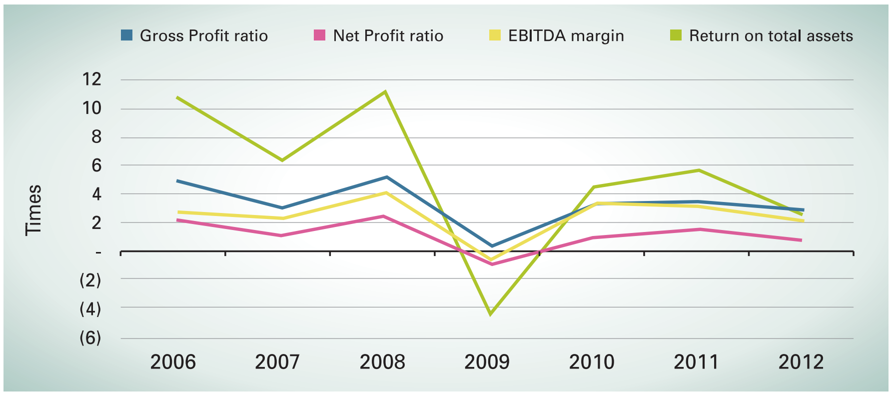
	2012	2011	2010	2009	2008	2007	2006
Balance Sheet							
Share Capital	1,715	1,715	1,715	1,715	1,715	1,715	1,715
Reserves	48,245	40,188	27,621	19,156	29,250	19,224	19,098
Shareholders' Equity	49,960	41,903	29,336	20,871	30,965	20,939	20,813
Property Plant & Equipment	5,862	6,114	6,411	7,056	7,567	8,138	7,674
Net current assets	44,023	35,302	23,298	8,666	22,143	11,128	10,978
Long Term Liabilities	3,695	3,257	2,836	2,528	2,409	2,412	2,299



As of June 30, 2012, total assets of the Company increased by 32% as compared to last year. This was primarily due to variance in trade debts balances on account of ever increasing circular debt related receivables. Shareholders equity rose by 19% to Rs. 50 billion as of June 30, 2012 versus Rs. 42 billion in 2011. The net income generated during the year was the main contributor of this development.

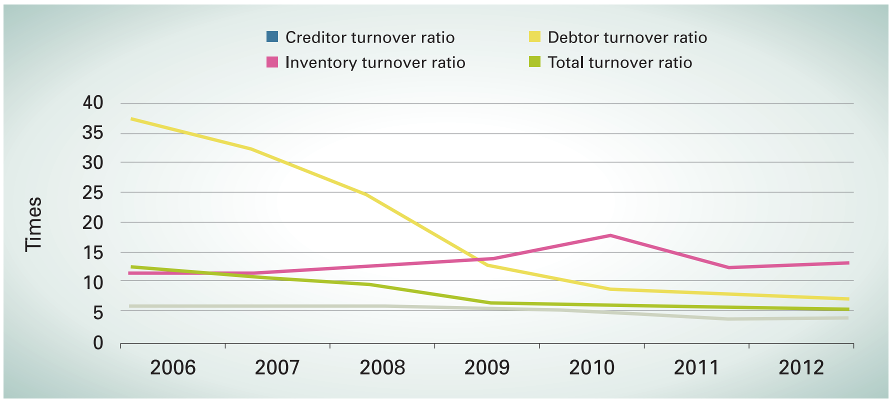
PSO at a Glance

		2012	2011	2010	2009	2008	2007	2006
Profitabiltiy Ratios								
Gross Profit ratio	%	2.9	3.5	3.3	0.4	5.1	3.00	4.88
Net Profit ratio	%	0.8	1.5	1.0	(0.9)	2.4	1.14	2.13
EBITDA margin	%	2.2	3.2	3.3	(0.6)	4.1	2.3	3.8
Return on Shareholders' Equity	%	18.1	35.3	30.8	(32.1)	45.4	22.4	36.2
Return on total assets	%	2.6	5.6	4.5	(4.4)	11.1	6.30	10.72
Return on capital employed	%	47.2	66.2	86.6	(21.9)	68.1	35.4	54.1



At the end of June 2012, the profitability ratios have shown a declining trend as compared to FY2011 due to the reasons discussed in profit and loss segment.

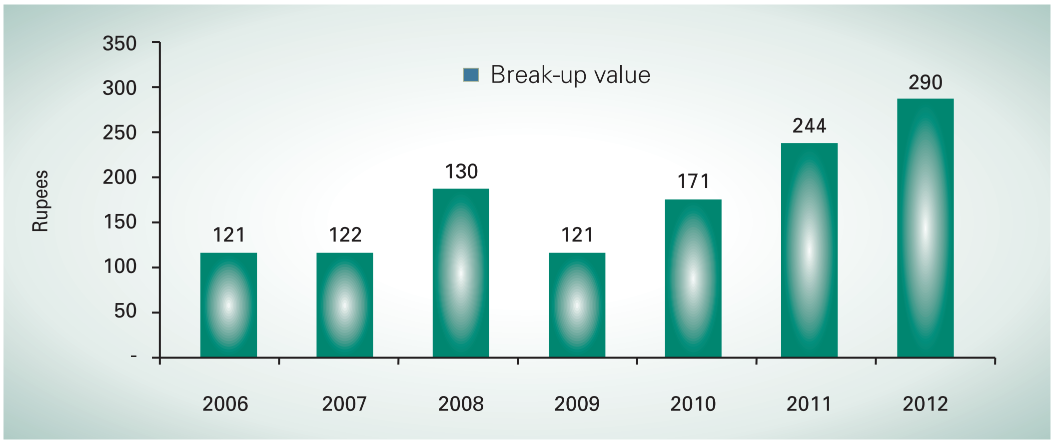
		2012	2011	2010	2009	2008	2007	2006
Asset utilisation								
Inventory turnover ratio	x	13.0	12.7	17.7	14.0	12.7	11.7	11.5
Debtor turnover ratio	x	7.0	8.0	8.9	12.6	24.6	32.5	38.1
Creditor turnover ratio	x	5.4	5.7	6.1	6.3	9.6	10.8	12.5
Total asset turnover ratio	x	3.9	4.19	4.93	5.13	5.78	5.70	5.76
Fixed asset turnover ratio	x	200.4	155.7	130.3	98.4	74.3	52.0	44.4



As of June 30, 2012, overall trend of asset utilization ratios have remained flat as compared to last year except for fixed assetturnover ratio which has increased on account of increase in turnover and less capitalization of property plant and equipment as compared to last year.

PSO at a Glance

Investment		2012	2011	2010	2009	2008	2007	2006
Earning per share	Rs.	53	86	53	(39)	82	27	44
Market value per share (Year End)	Rs.	236	265	260	214	417	391	309
Highest Price	Rs.	271	314	343	429	540	418	452
Lowest Price	Rs.	206	237	218	96	318	281	265
Break-up value	Rs.	290	244	171	121	180	122	121
Price earning ratio (P/E)	x	4.5	3.1	4.9	(5.5)	5.1	14.3	7.0
Dividend per share	Rs.	5.5	10.0	8.0	5.0	23.5	21.0	34.0
Bonus share	%	20.0	-	-	-	-	-	-
Dividend payout	%	14.2	11.6	15.2	(12.8)	28.7	76.8	77.5
Dividend yield	%	2.3	3.8	3.1	2.3	5.6	5.4	11.0
Dividend cover ratio	x	9.6	8.6	6.6	(7.8)	3.5	1.3	1.3

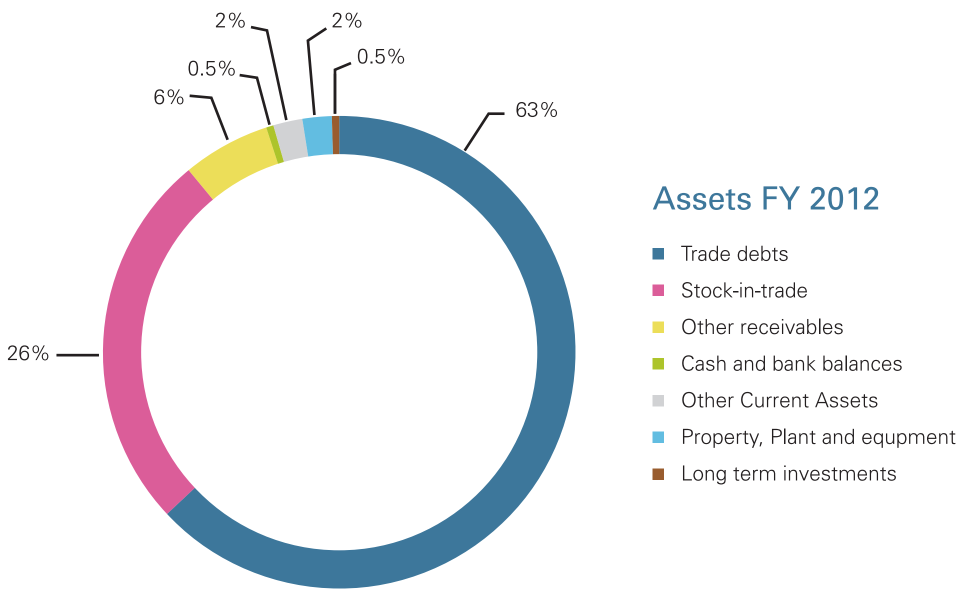


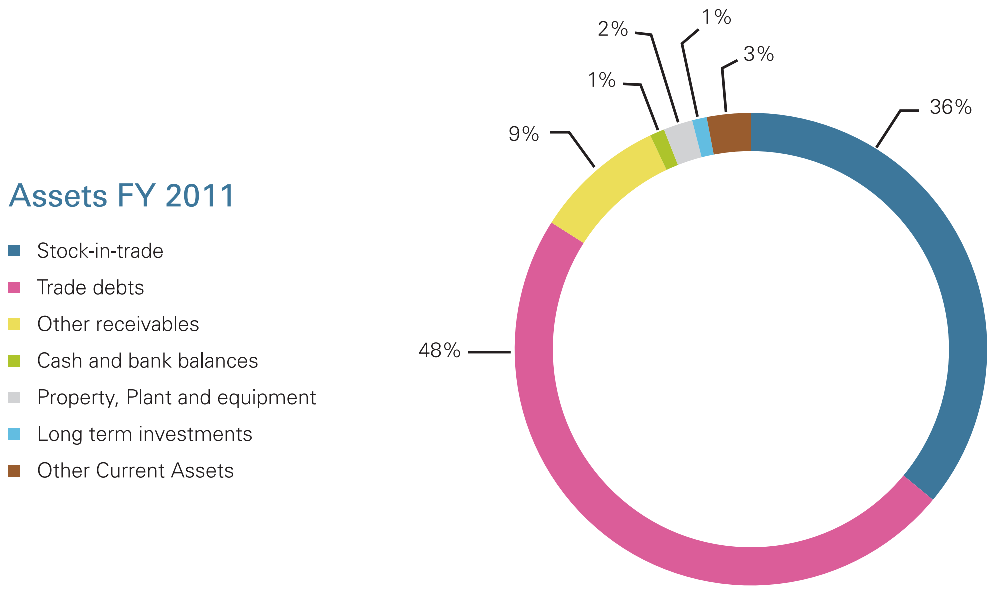
As of June 30, 2012, investment ratios have shown a stable trend as compared to last year. Breakup value increased 19% from Rs. 290 per share versus Rs. 244 per share in 2011 mainly on account of reinvestment of major portion of net earnings in order to meet the tight working capital requirements due to prevailing circular debt situation.

Leverage		2012	2011	2010	2009	2008	2007	2006
Interest Cover ratio	x	2.17	2.51	2.77	(0.89)	16.41	6.86	12.74
Current Ratio	x	1.15	1.16	1.14	1.07	1.24	1.22	1.24
Quick Ratio	x	0.84	0.72	0.79	0.75	0.57	0.64	0.63

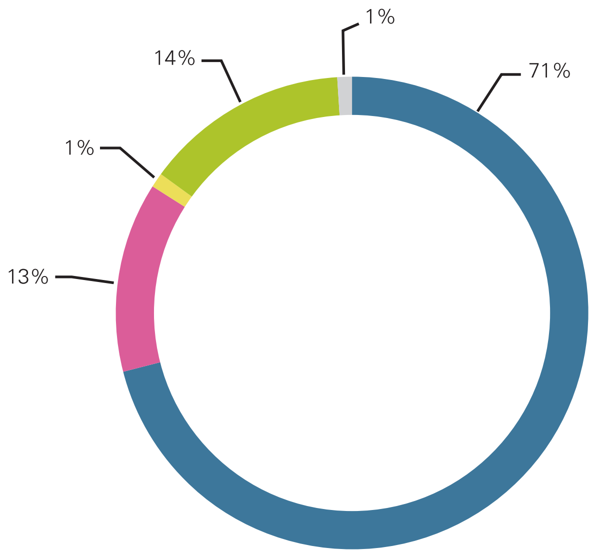
No significant fluctuations in leverage ratios as compared to last year, however, the short term borrowings have increased by 86% as compared to last year.

Composition of Balance Sheet



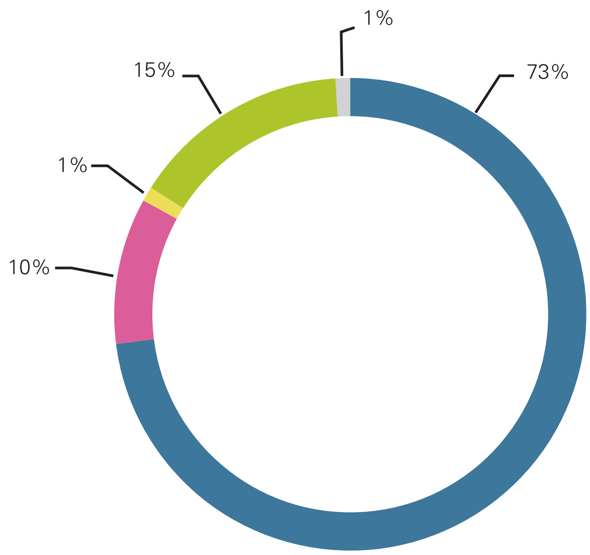


Composition of Balance Sheet



Equity and Liabilities FY 2012

- Trade Paybles & Other Short term liabilities
- Short term borrowings
- Share Capital
- Reserves
- Total Long term liabilities



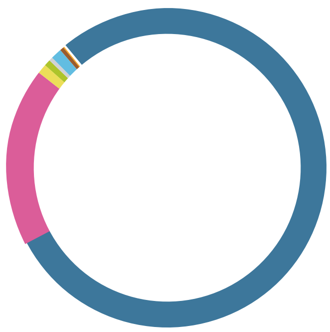
Equity and Liabilities FY 2011

- Trade Paybles & Other Short term liabilities
- Short term borrowings
- Share Capital
- Reserves
- Total Long term liabilities

Statement of Value Additions

For the year ended June 30, 2012

	2012		2011	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated				
Sales (net of Inland freight equalization margin)	1,199,927,907	99.75	974,917,064	99.72
Other operating income	2,133,994	0.18	1,815,951	0.19
Other income	913,493	0.08	929,611	0.10
	1,202,975,394	100	977,662,626	100
Distribution of Wealth				
Cost of sales (excluding duties)	942,957,662	78.39	739,186,673	75.61
Government taxes	216,596,903	18.01	189,559,818	19.39
Inland freight equalization margin	11,642,892	0.97	16,417,542	1.68
Retained for future growth	7,769,663	0.65	13,064 ,124	1.34
Net finance costs	4,552,372	0.38	8,172,311	0.84
Distribution, marketing, administrative & other expenses	13,430,925	1.12	5,203,271	0.53
Employees' remuneration	4,679,020	0.39	4,286,370	0.44
Dividend to shareholders	1,286,392	0.11	1,715,190	0.17
Contribution to society	59,565	0.005	57,327	0.006
	1,202,975,394	100	977,662,626	100

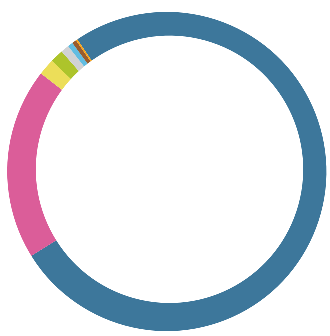


FY 2012

Cost of sales (excluding duties	78.39%
Government taxes	18.01%
Inland freight equalization margin	0.97%
Retained for future growth	0.65%
Net finance costs	0.38%
Distribution, Marketing, administrative expenses & other expenses	1.12%
Employees' remuneration	0.39%
Dividend to shareholders	0.11%

FY 2011

Cost of sales (excluding duties	75.61%
Government taxes	19.39%
Inland freight equalization margin	1.68%
Retained for future growth	1.34%
Net finance costs	0.84%
Distribution, Marketing, administrative expenses & other expenses	0.53%
Employees' remuneration	0.44%
Dividend to shareholders	0.17%



Financial Analysis

Balance Sheet

VERTICAL ANALYSIS	2012	2011	2010	2009	2008	2007	2006
Property, plant and equipment	1.69%	2.33%	3.17%	4.60%	5.95%	10.89%	10.94%
Long term investments	0.57%	0.88%	1.00%	1.40%	2.13%	4.00%	4.67%
Long term loans, advances and receivables	0.11%	0.12%	0.16%	0.26%	0.38%	0.84%	0.99%
Long term deposits and prepayments	0.04%	0.06%	0.06%	0.05%	0.06%	0.09%	0.11%
Deferred tax	0.37%	0.36%	0.00%	3.28%	0.32%	0.54%	0.58%
Total Non-Current Assets	2.77%	3.75%	4.39%	9.60%	8.84%	16.36%	17.29%
Other Current Assets							
Stores, spares and loose tools	0.04%	0.04%	0.06%	0.07%	0.09%	0.17%	0.18%
Stock-in-trade	25.48%	36.31%	28.97%	26.53%	49.06%	39.55%	40.14%
Trade debts	62.75%	47.48%	58.10%	52.48%	26.67%	18.20%	16.70%
Loans and advances	0.15%	0.16%	0.20%	0.27%	0.31%	0.49%	0.39%
Deposits and short term prepayments	0.73%	0.39%	0.18%	0.36%	0.32%	2.12%	1.84%
Other receivables	6.08%	8.57%	7.20%	8.35%	12.34%	21.08%	20.75%
Taxation - net	1.53%	2.40%	0.02%	0.46%	0.00%	0.00%	0.00%
Cash and bank balances	0.47%	0.88%	0.88%	1.88%	2.37%	2.04%	2.71%
Total Current Assets	97.23%	96.25%	95.61%	90.40%	91.16%	83.64%	82.71%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
EQUITY AND LIABILITIES							
Share Capital	0.49%	0.65%	0.85%	1.12%	1.35%	2.29%	2.44%
Reserves	13.89%	15.30%	13.66%	12.49%	23.01%	25.72%	27.22%
Total Shareholders Equity	14.38%	15.95%	14.51%	13.60%	24.36%	28.02%	29.66%
Long term deposits	0.34%	0.39%	0.47%	0.56%	0.66%	1.03%	1.06%
Retirement and other service benefits	0.72%	0.85%	0.93%	1.09%	1.24%	2.20%	2.22%
Total Long term Liabilities	1.06%	1.24%	1.40%	1.65%	1.90%	3.23%	3.28%
Trade and other payables	71.03%	73.04%	77.15%	71.78%	63.78%	55.44%	52.47%
Provisions	0.20%	0.26%	0.34%	0.45%	0.57%	0.92%	1.11%
Accrued interest / mark-up	0.16%	0.16%	0.16%	0.36%	0.17%	0.18%	0.17%
Short term borrowings	13.17%	9.34%	6.44%	12.16%	8.65%	12.13%	10.90%
Taxes payable	0.00%	0.00%	0.00%	0.00%	0.57%	0.09%	2.42%
Total Current Liabilities	84.56%	82.81%	84.09%	84.75%	73.74%	68.76%	67.06%
	100%	100%	100%	100%	100%	100%	100%

HORIZONTAL ANALYSIS	2012	2011	2010	2009	2008	2007	2006
Property, plant and equipment	76%	80%	84%	92%	99%	106%	100%
Total Non-Current Assets	79%	81%	73%	121%	93%	101%	100%
Stock-in-trade	314%	339%	208%	144%	221%	105%	100%
Trade debts	1861%	1065%	1003%	687%	289%	116%	100%
Other receivables	145%	155%	100%	88%	108%	108%	100%
Cash and bank balances	86%	122%	94%	152%	159%	80%	100%
Total Current Assets	582%	436%	333%	239%	200%	108%	100%
Total Assets	495%	374%	288%	219%	181%	107%	100%
Share Capital	100%	100%	100%	100%	100%	100%	100%
Reserves	253%	210%	145%	100%	153%	101%	100%
Total Shareholders Equity	240%	201%	141%	100%	149%	101%	100%
Total Long term Liabilities	161%	142%	123%	110%	105%	105%	100%
Trade and other payables	670%	521%	424%	299%	220%	113%	100%
Total Current Liabilities	624%	462%	361%	276%	199%	109%	100%
Total Equity & Liabilities	495%	374%	288%	219%	181%	107%	100%

Financial Analysis

Profit and Loss Account

VERTICAL ANALYSIS

	2012	2011	2010	2009	2008	2007	2006
Sales	100%	100%	100%	100%	100%	100%	100%
Sales Tax	13.66%	14.15%	13.52%	13.54%	12.7%	12.8%	12.6%
IFEM/Levies	0.97%	1.68%	1.81%	1.28%	2.35%	2.17%	2.76%
Net sales	85.37%	84.16%	84.67%	85.18%	84.92%	85.07%	84.61%
Cost of products sold	82.51%	80.65%	81.34%	84.76%	79.77%	82.09%	79.73%
Gross Profit	2.86%	3.52%	3.33%	0.42%	5.15%	2.98%	4.88%
Operating Costs							
Transportation	0.10%	0.08%	0.07%	0.07%	0.06%	0.09%	0.10%
Administrative & Marketing Expenses	0.63%	0.69%	0.59%	0.71%	0.76%	0.91%	0.97%
Depreciation	0.10%	0.12%	0.13%	0.17%	0.20%	0.28%	0.31%
Other operating expenses	0.77%	0.23%	0.28%	0.56%	0.57%	0.18%	0.70%
Total Operating Costs	1.60%	1.12%	1.07%	1.50%	1.59%	1.46%	2.08%
	1.27%	2.40%	2.25%	-1.09%	3.56%	1.52%	2.80%
Other / Other Operating income	0.81%	0.61%	0.86%	0.31%	0.29%	1.93%	0.40%
Profit / (Loss) from Operations	2.07%	3.01%	3.12%	-0.78%	3.85%	1.93%	3.20%
Finance cost	0.97%	1.22%	1.13%	0.87%	0.23%	0.28%	0.25%
Share of Profit of Associates	0.04%	0.05%	0.06%	0.06%	0.05%	0.08%	0.29%
Profit / (Loss) before taxation	1.14%	1.84%	2.05%	-1.58%	3.67%	1.73%	3.24%
Taxation	-0.38%	-0.33%	-1.02%	0.65%	-1.26%	-0.59%	-1.10%
Net Profit / (Loss)	0.75%	1.52%	1.03%	-0.93%	2.41%	1.14%	2.13%

HORIZONTAL ANALYSIS

	2012	2011	2010	2009	2008	2007	2006
Sales	340%	277%	249%	204%	165%	117%	100%
Sales Tax	368%	310%	266%	219%	167%	118%	100%
IFEM/Levies	120%	169%	163%	95%	141%	92%	100%
	323%	285%	248%	196%	162%	113%	100%
Net sales	343%	275%	249%	205%	166%	117%	100%
Cost of products sold	352%	280%	254%	217%	166%	120%	100%
Gross Profit	199%	199%	169%	17%	174%	71%	100%
Operating Costs							
Transportation	330%	222%	173%	140%	92%	101%	100%
Administrative & Marketing expenses	219%	195%	151%	149%	129%	109%	100%
Depreciation	106%	105%	109%	110%	108%	105%	100%
Other operating expenses	377%	91%	98%	162%	136%	31%	100%
Total Operating Costs	261%	148%	128%	147%	127%	82%	100%
	154%	237%	200%	-79%	210%	63%	100%
Other / Other Operating Income	695%	428%	543%	160%	123%	122%	100%
Profit / (Loss) from operations	221%	261%	243%	-50%	199%	71%	100%
Finance cost	1319%	1346%	1118%	705%	155%	131%	100%
	127%	168%	168%	-114%	203%	65%	100%
Share of Profit of Associates	45%	50%	50%	43%	28%	32%	100%
Profit / (Loss) before taxation	120%	157%	157%	-99%	187%	62%	100%
Taxation	119%	82%	229%	-120%	188%	62%	100%
Net Profit / (Loss)	120%	196%	120%	-89%	187%	62%	100%

Statement of Compliance

with the Code of Corporate Governance

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

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

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

2. The members of BOM have confirmed that none of them is serving as a director in more than seven listed companies, including this Company, except for one director who has been awarded dispension pertaining to Clause II of the Code by the Securities and Exchange Commission of Pakistan.

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

4. Five casual vacancies occurred in the BOM on July 16, 2011, July 22, 2011, December 15, 2011, February 8, 2012 and May 31, 2012 out of which three vacancies which occurred on July 16, 2011, July 22, 2011 and December 15, 2011 were filled on the same date through notifications by the Federal Government. The other two vacancies are not required to be filled as presently the Company is complying with the requirement for minimum number of directors prescribed by its Articles of Association.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

7. All the powers of the BOM have been duly exercised and decisions on material transactions have been taken by the BOM except for appointment and determination of remuneration and terms and conditions of employment of the CEO/MD which is the function of the Federal Government under section 6(1) & (3) of the Marketing of Petroleum Products (Federal Control) Act, 1974. Therefore, the requirement of the Code that Board should approve the appointment and remuneration of the MD has not been considered applicable to the extent of overriding provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974.

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

9. The BOM arranged a training program for its directors during the year.

10. The BOM has approved appointment of Company Secretary until further orders through his transfer from legal department. There was no change in the position of Chief Financial Officer (CFO) and Head of Internal Audit during the year.

Statement of Compliance
with the Code of Corporate Governance

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

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

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

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

15. The BOM has formed an audit committee. It comprises of five members, all of them including Chairman of the committee are non-executive directors. The requirements of the Code in respect of appointment of independent director as chairman of the audit committee is not considered applicable to the extent of overriding provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974, and Board of Management Regulations, 1974.

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

17. The board has formed an HR and Remuneration Committee. It comprises of five members, all of them including the Chairman of the committee are non-executive directors.

18. The board has set up an effective internal audit function.

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

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

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

Naeem Yahya Mir
Managing Director & CEO

Sohail Wajahat Siddiqui
Chairman

Karachi: August 9, 2012

Review Report to the Members
on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2012 prepared by the Board of Management of Pakistan State Oil Company Limited (“the Company”) to comply with the Listing Regulations of the Karachi, Islamabad and Lahore Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of Stock Exchanges where the Company is listed, require the Company to place before the Board of Management for their consideration and approval, related party transactions distinguishing between transactions carried out on term equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transaction are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Management and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were under taken at arm's length price or not.

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Mushtaq Ali Hirani

Karachi: August 9, 2012

Auditors' Report to the Members

For the year ended June 30, 2012

We have audited the annexed balance sheet of Pakistan State Oil Company Limited ("the Company") as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:
   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the profit, 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 the Ordinance.

We draw attention to the following matters:

- Notes 12.2, 12.3 and 15.1 to 15.4 to the financial statements. The Company considers the aggregate amount of Rs. 56,277 million and Rs. 9,669 million due from certain power generation companies and the Government of Pakistan respectively as good debts for reasons given in the notes;

- Note 25.1.1 to the financial statements regarding non-accrual of mark-up on delayed payments for reasons given in the aforementioned note; and

- Note 25.1.2 to the financial statements regarding tax implication of Rs. 958 million on the Company for the assessment years 1996-97 and 1997-98 for which the case is pending in the Supreme Court of Pakistan.

Our report is not qualified in respect of the above mentioned matters.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Mushtaq Ali Hirani

Karachi: August 9, 2012

Balance Sheet

As at June 30, 2012

	Note	2012	2011
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,831,993	6,084,731
Intangible assets	5	29,991	28,822
Long term investments	6	1,968,073	2,314,168
Long term loans, advances and receivables	7	385,497	324,554
Long term deposits and prepayments	8	123,740	148,748
Deferred tax	9	1,292,316	957,487
		9,631,610	9,858,510
Current assets			
Stores, spare parts and loose tools	10	134,431	115,339
Stock-in-trade	11	88,523,794	95,378,393
Trade debts	12	218,022,292	124,721,832
Loans and advances	13	526,118	430,716
Deposits and short term prepayments	14	2,528,406	1,027,381
Other receivables	15	21,122,166	22,520,278
Taxation - net		5,314,752	6,311,951
Cash and bank balances	16	1,624,025	2,309,006
		337,795,984	252,814,896
Net assets in Bangladesh	17	-	-
Total assets		347,427,594	262,673,406
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,715,190	1,715,190
Capital reserves	19	351,652	493,189
Revenue reserves	19	47,893,066	39,694,606
		49,959,908	41,902,985
Non-current liabilities			
Long term deposits	20	1,176,078	1,023,531
Retirement and other service benefits	21	2,518,502	2,233,717
		3,694,580	3,257,248
Current liabilities			
Trade and other payables	22	246,767,460	191,851,017
Provisions	23	688,512	688,512
Accrued interest / mark-up		544,485	432,133
Short term borrowings	24	45,772,649	24,541,511
		293,773,106	217,513,173
Total equity and liabilities		347,427,594	262,673,406
Contingencies and commitments	25		

The annexed notes 1 to 44 form an integral part of these financial statements.

Naeem Yahya Mir
CEO & Managing Director

Sohail Wajahat H. Siddiqui
Chairman

Profit and Loss Account

For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in '000)	
Sales - net of trade discounts and allowances amounting to Rs. 1,237,662 thousand (2011: Rs. 751,288 thousand)		1,199,927,907	974,917,064
Less:			
- Sales tax		(163,861,410)	(137,969,158)
- Inland freight equalization margin		(11,642,892)	(16,417,542)
		(175,504,302)	(154,386,700)
Net sales		1,024,423,605	820,530,364
Cost of products sold	26	(990,101,083)	(786,250,059)
Gross profit		34,322,522	34,280,305
Other operating income	27	2,133,994	1,815,951
Operating costs			
Transportation costs	28	(1,205,394)	(810,423)
Distribution and marketing expenses	29	(5,863,170)	(5,175,233)
Administrative expenses	30	(1,659,530)	(1,514,532)
Depreciation	4.1	(1,127,587)	(1,120,999)
Amortisation of intangible assets	5	(15,491)	(18,210)
Other operating expenses	31	(9,272,048)	(2,239,725)
		(19,143,220)	(10,879,122)
Profit from operations		17,313,296	25,217,134
Other income	32	7,550,581	4,143,710
Finance costs	33	(11,658,928)	(11,903,162)
		13,204,949	17,457,682
Share of profit of associates	6.1.1	469,468	516,752
Profit before taxation		13,674,417	17,974,434
Taxation	34	(4,618,362)	(3,195,120)
Profit for the year		9,056,055	14,779,314
		(Rupees)	
Earnings per share - basic and diluted	35	52.80	86.17

The annexed notes 1 to 44 form an integral part of these financial statements.

Naeem Yahya Mir
CEO & Managing Director

Sohail Wajahat H. Siddiqui
Chairman

Statement of Comprehensive Income

For the year ended June 30, 2012

	2012	2011
	(Rupees in '000)	
Profit for the year	9,056,055	14,779,314
Other comprehensive income		
Unrealised (loss) / gain due to change in fair value of other long-term investments	(144,903)	11,844
Share of unrealised gain due to change in fair values of available for sale investment of associates	3,366	5,516
	(141,537)	17,360
Total comprehensive income for the year	8,914,518	14,796,674

The annexed notes 1 to 44 form an integral part of these financial statements.

Naeem Yahya Mir
CEO & Managing Director

Sohail Wajahat H. Siddiqui
Chairman

Statement of Changes in Equity

For the year ended June 30, 2012

	Share capital	Capital reserve: Surplus on vesting of net assets	Capital reserve: Unrealised gain on revaluation of long term investment available for sale	Capital reserve: Company's share of unrealised profit / (loss) on investments in associates	Revenue reserves: General reserve	Revenue reserves: unappropriated profit	Total
	(Rupees in '000)						
Balance at July 01, 2010	1,715,190	3,373	479,907	(7,451)	25,282,373	1,862,666	29,336,058
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	14,779,314	14,779,314
Unrealised gain due to change in fair value of long-term quoted investment	-	-	11,844	-	-	-	11,844
Share of unrealised gain due to change in fair value of associates' investments	-	-	-	5,516	-	-	5,516
	-	-	11,844	5,516	-	14,779,314	14,796,674
Transactions with owners							
Distribution							
Final dividend for the year ended June 30, 2010 @ Rs. 5 per share	-	-	-	-	-	(857,595)	(857,595)
1st interim dividend for the year ended June 30, 2011 @ Rs. 5 per share	-	-	-	-	-	(857,595)	(857,595)
2nd interim dividend for the year ended June 30, 2011 @ Rs. 3 per share	-	-	-	-	-	(514,557)	(514,557)
	-	-	-	-	-	(2,229,747)	(2,229,747)
Balance at June 30, 2011	**1,715,190**	**3,373**	**491,751**	**(1,935)**	**25,282,373**	**14,412,233**	**41,902,985**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	9,056,055	9,056,055
Unrealised gain due to change in fair value of long-term quoted investment	-	-	(144,903)	-	-	-	(144,903)
Share of unrealised gain due to change in fair value of associates' investments	-	-	-	3,366	-	-	3,366
			(144,903)	3,366	-	9,056,055	8,914,518
Transactions with owners							
Distribution							
Final dividend for the year ended June 30, 2011 @ Rs. 2 per share	-	-	-	-	-	(343,038)	(343,038)
Interim dividend for the year ended June 30, 2012 @ Rs. 3 per share	-	-	-	-	-	(514,557)	(514,557)
	-	-	-	-	-	(857,595)	(857,595)
Balance at June 30, 2012	**1,715,190**	**3,373**	**346,848**	**1,431**	**25,282,373**	**22,610,693**	**49,959,908**

The annexed notes 1 to 44 form an integral part of these financial statements.

Naeem Yahya Mir
CEO & Managing Director

Sohail Wajahat H. Siddiqui
Chairman

Cash flow Statement
For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in '000)	
CASH GENERATED FROM OPERATING ACTIVITIES			
Cash(used in) / generated from operations	36	(13,525,483)	5,617,109
(Increase) in long-term loans, advances and receivables		(60,943)	(6,665)
Decrease / (Increase) in long-term deposits and prepayments		25,008	(22,797)
Increase in long-term deposits received		152,547	75,055
Taxes paid		(3,955,992)	(10,417,978)
Finance costs paid		(3,138,027)	(3,182,997)
Retirement benefits paid		(824,170)	(478,081)
Net cash used in operating activities		(21,327,060)	(8,416,354)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(877,017)	(851,555)
Purchases of intangible assets		(16,660)	(10,782)
Proceeds from disposal of operating assets		14,847	56,764
Dividend received		883,522	405,810
Net cash generated from / (used in) investing activities		4,692	(399,763)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term finances obtained / (repaid)		23,331,017	(132,165)
Dividend paid		(593,751)	(2,173,429)
Net cash used in financing activities		22,737,266	(2,305,594)
Net increase / (decrease) in cash and cash equivalents		1,414,898	(11,121,711)
Cash and cash equivalents at beginning of the year		(19,531,039)	(8,409,328)
Cash and cash equivalents at end of the year	37	(18,116,141)	(19,531,039)

The annexed notes 1 to 44 form an integral part of these financial statements.

Naeem Yahya Mir
CEO & Managing Director

Sohail Wajahat H. Siddiqui
Chairman

Notes to the Financial Statements

For the year ended June 30, 2012

(Amounts in Rs.'000)

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pakistan State Oil Company Limited ("the Company") is a public company incorporated in Pakistan in 1976 under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) and listed on the Karachi, Lahore and Islamabad stock exchanges. The registered office of the Company is located at PSO House, Khayaban-e-Iqbal, Clifton, Karachi. The principal activities of the Company are procurement, storage and marketing of petroleum and related products. It also blends and markets various kinds of lubricating oils.

1.2 The Board of Management - Oil nominated by the Federal Government under section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 ("the Act") manages the affairs of the Company. The provisions of the Act shall have effect notwithstanding anything contained in the Companies Act, 1913 (now Companies Ordinance, 1984) or any other law for the time being in force or any agreement, contract, Memorandum or Articles of Association of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on the basis of 'historical cost' convention, except for certain 'Available for Sale' investments which have been recognised at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency.

2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgement that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgements and estimates made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent year are as follows:

(Amounts in Rs.'000)

- Residual values and useful lives of property, plant and equipment (note 3.1).

- Useful lives of intangibles (note 3.2).

- Provision for impairment of trade debts and other receivables (note 3.7).

- Provision for impairment of non-financial assets (note 3.9).

- Provision for retirement and other service benefits (note 3.11).

- Taxation (note 3.15).

2.5 **Standards, amendments and interpretations which became effective during the year**

a) The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Company's accounting period beginning on or after July 1, 2011:

a) IFRS 7, 'Financial Instruments: Disclosures' (effective January 1, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

b) IFRS 7, 'Financial instruments: Disclosures' (effective July 1, 2011). This amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Company's financial statements during the current year.

c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements which have been made in these financial statements.

d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company complies with the requirements of revised IAS.

e) IAS 34, 'Interim financial reporting' (effective January 1, 2011). The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and adds disclosure requirements around:

- The circumstances likely to affect fair values of financial instruments and their classification;

- Transfers of financial instruments between different levels of the fair value hierarchy;

- Changes in classification of financial assets; and

- Changes in contingent liabilities and assets.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

b) Other standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments to published standards and interpretation are not effective (although available for early adoption) for the accounting period beginning on or after July 1, 2012 and have not been early adopted by the Company:

- IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- IFRS 7, 'Financial instruments: Disclosures' (effective January 1, 2013). This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The management of the Company is in the process of assessing the impact of this amendment on the Company's financial statements.

- IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Company is in the process of assessing the impact of this amendment on the Company's financial statements.

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 1, 2013). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

- IFRS 12, 'Disclosure of interests in other entities' (effective for periods beginning on or after January 1, 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

(Amounts in Rs.'000)

- IFRS 13, 'Fair Value Measurement' (effective for periods beginning on or after January 1, 2012). This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit price' notion and uses 'a fair value hierarchy', which results in a market-based, rather than entity-specific measurement.

- IAS 19 (Revised), 'Employee benefits' (effective for periods beginning on or after January 1, 2013). The amendments will make significant changes to the recognition and measurement of defined benefit pension expense and termination expense. The amendments requires actuarial gains and losses to be recognised immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19, and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company is in process of reviewing the implications of the revised standard on its financial statments.

- IAS 28 (Revised) 'Associates and joint ventures' (effective for periods beginning on or after January 1, 2013). The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

There are no other standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.6 Share based payments and Benazir Employees Stock Option Scheme

Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions became effective from July 1, 2010 which requires an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ('the Scheme') for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in the employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allocated units by each Trust Fund in proportion to their respective length of service, and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 – Share-based Payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs. 238,232, profit after taxation would have been lower by Rs. 238,232, retained earning would have been lower by Rs. 791,265, earning per share would have been lower by Rs. 1.39 per share and reserves would have been higher by Rs. 791,265.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

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

Cost in relation to certain fixed assets, including capital work-in-progress, signifies historical cost and financial charges on borrowings for financing the projects until such projects are available for their intended use.

Depreciation is charged to profit and loss account using straight-line method so as to write off the historical cost of the assets over their estimated useful lives at the rates given in note 4.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal. Assets residual values, useful lives and depreciation rates are reviewed, and adjusted, if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Maintenance and normal repairs are charged to profit and loss account. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

3.2 Intangible assets - computer softwares

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

Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable

(Amounts in Rs.'000)

software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any, thereon.

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

3.3 Financial instruments

Financial assets

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivable and cash and bank balances in the balance sheet.

c) Available-for-sale financial assets

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

d) Held to maturity

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

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. Investments in associates are accounted for using the equity method as explained in note 3.4.

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

The fair values of quoted equity investments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account. Impairment testing of trade and other receivables is described in note 3.7.

Financial liabilities

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

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

3.4 Investment in associates

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

The Company's share of its associates' post acquisition profits or losses is recognised in profit and loss account and its share in post acquisition of other comprehensive income is recognised in

(Amounts in Rs.'000)

Company's other comprehensive income. Cumulative post acquisition movements are adjusted against the carrying value of the investments. When the Company's share of losses in associate equals or exceeds its interest in the associate including any other long term unsecured receivable, the Company does not recognise future losses, unless it has incurred obligations or made payments on behalf of the associate.

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

3.5 Stores, spare parts and loose tools

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

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

3.6 Stock-in-trade

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

Obsolete items are recorded at nil value. Provision is made for slow moving stocks where necessary and recognised in profit and loss account. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make a sale.

3.7 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment, if any.

A provision for impairment of trade debts and other receivable is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debt and receivable are written off when considered irrecoverable.

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

3.8 Cash and cash equivalents

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

3.9 Impairment of non-financial assets

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

3.10 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

3.11 Retirement and other service benefits

3.11.1 Pension funds

The Company operates approved funded defined benefit pension schemes separately for both management and non-management employees. The schemes provide pension based on the employees' last drawn salary. Pensions are payable for life and thereafter to surviving spouses and/or dependent children. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuations were carried out as of June 30, 2012 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs and as reduced by the fair value of the plan assets. Past service costs are recognised immediately to the extent that benefits are vested and are otherwise recognised over the average period until benefits are vested on a straight-line basis. Current service costs and any past service costs together with the expected return on plan assets less effect of unwinding of discount on plan liabilities are charged to expenses.

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

3.11.2 Gratuity fund

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

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of June 30, 2012 using the "Projected Unit Credit Method".

(Amounts in Rs.'000)

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of plan assets. Past service costs are recognised immediately to the extent that benefits are vested and are otherwise recognised over the average period until benefits are vested on a straight-line basis. Current service costs and any past service costs together with the expected return on plan assets less effect of unwinding of discount on plan liabilities are charged to expenses.

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

3.11.3 Post retirement medical benefits

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

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of June 30, 2012 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses. Past service costs are recognised immediately to the extent that benefits are vested and are otherwise recognised over the average period until benefits are vested on a straight-line basis. Current service costs and any past service costs together with the expected return on plan assets less effect of unwinding of discount on plan liabilities are charged to expenses. Cumulative net unrecognised actuarial gains and losses at the end of previous year which exceed 10% of the present value of the Company's obligations at that date are amortised over the expected average remaining working lives of the employees.

3.11.4 Compensated absences

The Company provides for compensated absences on the basis of acturial valuation in accordance with the requirement of IAS 19 ''Employees Benefit''. Acturial valuation of the scheme is carried out every year and the latest valuation was carried out as at June 30, 2012.

3.11.5 Provident fund

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

3.12 Borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date. Exchange gains and losses arising in respect of borrowings in foreign currency are added in the carrying amount of the borrowing.

3.13 Trade and other payables

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

3.14 Provisions

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

3.15 Taxation

3.15.1 Current

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

3.15.2 Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences including on investments in associates and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit and loss account except to the extent it relates to items recognised directly in equity / other comprehensive income in which case it is also recognised in equity / other comprehensive income.

3.16 Foreign currency transactions and translation

The financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency. Transactions in foreign currencies are accounted for in Pakistan Rupees at daily average rates. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses from the settlement of foreign currency transactions and translation of monetary assets and liabilities at the balance sheet date rates are included in profit and loss account.

(Amounts in Rs.'000)

3.17 **Offsetting of financial assets and liabilities**

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.18 **Revenue recognition**

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

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

- Dividend income on equity investment is recognised when the Company's right to receive the dividend is established.

- Handling, storage and other services income and return on deposits is recognized on accrual basis.

- Markup on delayed payment charges are recognised on rececipt basis.

3.19 **Borrowing costs**

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

3.20 **Dividend and appropriation to reserves**

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

3.21 **Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
Operating assets	4.1	5,339,437	5,659,941
Capital work in progress	4.3	492,556	424,790
		5,831,993	6,084,731

Notes to the Financial Statements For the year ended June 30, 2012

4.1 Operating assets

(Amounts in Rs. '000)

	Land		Building		Leasehold improvements	Tanks and pipelines	Service and filling stations (note 4.1.1)	Plant and machinery	Furniture and fittings	Vehicles and other rolling stock	Office equipments	Railway sidings	Gas cylinders / regulators	Total
	Freehold	Leasehold	On freehold land	On leasehold land										
As at July 01, 2010														
Cost	215,482	92,167	577,357	1,003,912	741	3,251,539	7,561,195	2,727,968	251,098	732,652	509,572	53,060	130,020	17,106,763
Accumulated Depreciation	-	(23,174)	(412,674)	(400,184)	(741)	(2,845,105)	(4,614,216)	(1,700,569)	(215,081)	(605,626)	(395,146)	(49,152)	(114,712)	(11,376,380)
Net book value	215,482	68,993	164,683	603,728	-	406,434	2,946,979	1,027,399	36,017	127,026	114,426	3,908	15,308	5,730,383
Year ended June 30, 2011														
Opening net book value	215,482	68,993	164,683	603,728	-	406,434	2,946,979	1,027,399	36,017	127,026	114,426	3,908	15,308	5,730,383
Additions	-	-	16,250	39,322	-	79,057	483,737	263,224	11,062	154,939	24,403	348	-	1,072,342
Disposals														
Cost	-	-	(40)	(11,400)	-	(9,908)	(40,360)	(19,525)	(2,306)	(6,721)	(1,738)	(141)	(86)	(92,225)
Depreciation	-	-	40	7,821	-	9,584	26,149	18,725	1,309	5,629	1,681	141	86	71,165
	-	-	-	(3,579)	-	(324)	(14,211)	(800)	(997)	(1,092)	(57)	-	-	(21,060)
Transfers	(40,584)	36,250	4,180	(1,430)	-	(3,981)	106	8,815	(3,463)	(36)	143	-	-	-
Adjustment	(725)	-	-	-	-	-	-	-	-	-	-	-	-	(725)
Depreciation Charge	-	(1,908)	(25,316)	(49,780)	-	(104,455)	(627,741)	(199,479)	(15,769)	(48,361)	(44,795)	(1,313)	(2,082)	(1,120,999)
Closing net book value	174,173	103,335	159,797	588,261	-	376,731	2,788,870	1,099,159	26,850	232,476	94,120	2,943	13,226	5,659,941
As at June 30, 2011														
Cost	174,173	128,417	597,747	1,030,404	741	3,316,707	8,004,678	2,980,482	256,391	880,834	532,380	53,267	129,934	18,086,155
Accumulated Depreciation	-	(25,082)	(437,950)	(442,143)	(741)	(2,939,976)	(5,215,808)	(1,881,323)	(229,541)	(648,358)	(438,260)	(50,324)	(116,708)	(12,426,214)
Net book value	174,173	103,335	159,797	588,261	-	376,731	2,788,870	1,099,159	26,850	232,476	94,120	2,943	13,226	5,659,941
Year ended June 30, 2012														
Opening net book value	174,173	103,335	159,797	588,261	-	376,731	2,788,870	1,099,159	26,850	232,476	94,120	2,943	13,226	5,659,941
Additions	-	-	9,900	62,963	-	107,683	376,488	182,097	14,962	17,960	31,646	-	5,549	809,248
Disposals														
Cost	-	-	-	(730)	-	(7,059)	(6,328)	(6,061)	(888)	(3,718)	(12,002)	-	(511)	(37,297)
Depreciation	-	-	-	490	-	6,799	5,339	5,677	874	3,711	11,731	-	511	35,132
		-	-	(240)	-	(260)	(989)	(384)	(14)	(7)	(271)	-	-	(2,165)
Depreciation Charge	-	(1,908)	(25,785)	(51,833)	-	(90,978)	(623,867)	(209,509)	(13,598)	(65,657)	(41,276)	(975)	(2,201)	(1,127,587)
Closing net book value	174,173	101,427	143,912	599,151	-	393,176	2,540,502	1,071,363	28,200	184,772	84,219	1,968	16,574	5,339,437
As at June 30, 2012														
Cost	174,173	128,417	607,647	1,092,637	741	3,417,331	8,374,838	3,156,518	270,465	895,076	552,024	53,267	134,972	18,858,106
Accumulated Depreciation	-	(26,990)	(463,735)	(493,486)	(741)	(3,024,155)	(5,834,336)	(2,085,155)	(242,265)	(710,304)	(467,805)	(51,299)	(118,398)	(13,518,669)
Net book value	174,173	101,427	143,912	599,151	-	393,176	2,540,502	1,071,363	28,200	184,772	84,219	1,968	16,574	5,339,437
Annual rate of depreciation (%)	-	1-5	5	5	20	10	10	10-20	10-20	20	20-33	10	10	

(Amounts in Rs.'000)

4.1.1 Service and filling stations include cost of Rs. 7,919,833 (2011: Rs. 7,540,899) incurred by the Company on underground storage tanks, dispensing units and other equipment, and construction and related work. It also includes cost incurred on modernisation and development under the "New Vision Scheme" on approximately 1,720 (2011: 1,691) out of the total 3,760 (2011: 3,689) retail filling station of dealers. In view of large number of dealers, the management considers it impracticable to disclose particulars of assets not in the possession of the Company as required under the Fourth Schedule to the Companies Ordinance, 1984.

4.1.2 Included in operating fixed assets are assets which are fully depreciated having cost of Rs. 6,791,267 (2011: 6,073,354).

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

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
Building on leasehold land	353	115	238	3	Tender	M/S Zanmbell Traders B/1, 393/B, Railway Road, Muzaffargarh
Tanks and pipelines	1,826	1,736	90	517	Tender	Interglobe Commerce Pakistan Private Limited 99-CF- 1/5, Clifton
	300	225	75	2	Tender	M/S Zanmbell Traders B/1, 393/B, Railway Road, Muzaffargarh
Service and filling stations	105	45	60	43	Tender	M/S PNS Iqbal Ghulam Ali Allama Road, West Wharf, Karachi
	180	76	104	86	Tender	M/S PNS Iqbal Ghulam Ali Allama Road, West Wharf, Karachi
	1,999	1,799	200	1,723	Tender	PSO / S / 12 Sargodha Khyam Cinema Chowk, PWD Rest House Faisalabad
	750	625	125	750	Insurance Claim	National Insurance Company Limited NICL Building, Abbasi Shaheed Road, Karachi
	288	211	77	229	Insurance Claim	National Insurance Company Limited NICL Building, Abbasi Shaheed Road,Karachi
	288	211	77	229	Insurance Claim	National Insurance Company Limited NICL Building, Abbasi Shaheed Road, Karachi
	288	211	77	229	Insurance Claim	National Insurance Company Limited NICL Building, Abbasi Shaheed Road, Karachi

(Amounts in Rs.'000)

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
Service and filling Stations	484	355	129	458	Insurance Claim	National Insurance Company Limited NICL Building, Abbasi Shaheed Road, Karachi
	240	136	104	240	Insurance Claim	National Insurance Company Limited NICL Building, Abbasi Shaheed Road, Karachi.
Plant and machinery	545	454	91	14	Tender	M/S Prime Services M-82, Mezzanine Floor, Glass Tower, Clifton, Karachi.
	292	89	203	1	Tender	M/S Ejaz Brothers Near MCBV Ltd. Muhallah Khurshid ABD(W), Muzaffargarh.
Items having book value of less than Rupees fifty thousand each	29,360	28,845	515	10,323		
Year ended June 30, 2012	37,298	35,133	2,165	14,847		
Year ended June 30, 2011	92,225	71,165	21,060	56,764		

4.3 Capital work in progress

	2012	2011
Service and filling stations	43,911	67,438
Tanks and pipelines	262,921	203,031
Plant and machinery	6,597	17,707
Furniture, fittings and equipment	2,605	3,243
Advance to suppliers and contractors for tanks, pipelines and storage development projects	19,581	32,154
Capital stores	156,941	101,217
	492,556	424,790

(Amounts in Rs.'000)

5. INTANGIBLES - computer softwares

	Note	2012	2011
Net carrying value			
Net book value at beginning of the year		28,822	36,250
Additions at cost		16,660	10,782
Amortisation charge for the year	5.2	(15,491)	(18,210)
Net book value at end of the year		29,991	28,822
Gross carrying value			
Cost		297,027	280,367
Accumulated amortisation		(267,036)	(251,545)
Net book value		29,991	28,822

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

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

6. LONG-TERM INVESTMENTS

	2012	2011
Investment in related parties - available -for-sale		
In a quoted company - at fair value		
- Pakistan Refinery Limited		
Equity held 18% (2011: 18%)		
No of shares: 63,000 (2011: 63,000) shares of Rs. 10 each	361,945	506,848
In an unquoted company - at cost		
- Pak-Arab Pipeline Company Limited - Equity held 12% (2011: 12%)		
No of shares: 86,400 (2011: 86,400) shares of Rs. 10 each	864,000	864,000
	1,225,945	1,370,848
Investments in associates - in unquoted companies - note 6.1		
- Asia Petroleum Limited (APL) - Equity held 49% (2011: 49%)	678,933	886,001
- Pak Grease Manufacturing Company (Private) Limited (PGMCL) - Equity held 22% (2011: 22%)	63,195	57,319
	742,128	943,320
	1,968,073	2,314,168

6.1 Investment in associates

Number of shares 2012	Number of shares 2011	Face value per share (Rupees)	Name of the company	2012	2011
46,058,600	46,058,600	10	Asia Petroleum Limited	678,933	886,001
686,192	686,192	10	Pak Grease Manufacturing Company (Private) Limited	63,195	57,319
				742,128	943,320

(Amounts in Rs.'000)

6.1.1 Movement of investment in associates

	2012	2011
Balance at beginning of the year	943,320	660,265
Share of profits		
- current year	468,994	516,759
- adjustment for last year profits based on audited financial statements	474	(7)
	469,468	516,752
Unrealised gain on associates' investments	3,365	5,516
Dividend received	(674,025)	(239,213)
Balance at end of the year	742,128	943,320

6.1.2 The summarised financial information of the associates over which the Company exercises significant influence, based on the financial statements for the year ended June 30, 2012, is as follows:

	2012		2011	
	APL	PGMCL	APL	PGMCL
Total assets	1,958,885	311,028	2,466,426	290,112
Total liabilities	573,310	23,777	658,262	27,421
Revenues	1,835,038	242,571	1,865,489	175,427
Profit after tax	940,369	37,332	1,040,468	33,654

7. LONG-TERM LOANS, ADVANCES AND RECEIVABLES

	Note	2012	2011
Loans - considered good			
Executives	7.1, 7.2 & 7.4	136,846	51,664
Employees	7.2	145,623	200,012
		282,469	251,676
Current portion shown under current assets	13	(82,878)	(70,325)
		199,591	181,351
Advances - considered good			
Employees	7.3	62,871	15,928
Current portion shown under current assets	13	(15,520)	-
		47,351	15,928
Receivables			
Due from Karachi Electric Supply Company (KESC) - considered good		-	97,969
Current portion shown under current assets		-	(97,969)
		-	-
Others			
- considered good		138,555	127,275
- considered doubtful		8,143	8,143
		146,698	135,418
Provision for impairment		(8,143)	(8,143)
		138,555	127,275
		385,497	324,554

Notes to the Financial Statements
For the year ended June 30, 2012

(Amounts in Rs.'000)

7.1 Reconciliation of carrying amount of loans to executives:

	2012	2011
Balance at beginning of the year	51,664	24,519
Add: Disbursements	106,476	56,882
Less: Repayments	(21,294)	(29,737)
Balance at end of the year	136,846	51,664

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

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

7.4 The maximum aggregate amount outstanding at the end of any month during the year in respect of loans to executives was Rs. 56,871 (2011: Rs. 39,978).

8. LONG-TERM DEPOSITS AND PREPAYMENTS - Considered good

	Note	2012	2011
Long-term deposits		58,929	57,184
Prepaid rentals		133,762	134,970
Less: Current portion shown under current assets	14	(68,951)	(43,406)
		64,811	91,564
		123,740	148,748

9. DEFERRED TAX

	2012	2011
Debit balance arising in respect of:		
Provision for:		
- retirement benefits	485,287	422,897
- doubtful trade debts	849,956	973,110
- doubtful receivables	92,800	92,800
- impairment of stores and spare parts	8,535	8,535
- excise, taxes and other duties	25,491	25,491
- impairment of stocks-in-trade	7,510	7,510
- accelerated tax amortisation	-	1,172
Unutilized minimum tax paid	182,042	37,049
Others	339,591	160,359
	1,991,212	1,728,923
Credit balance arising in respect of:		
- accelerated tax depreciation	(670,798)	(724,045)
- accelerated tax amortisation	(1,163)	-
- investments in associates	(26,935)	(47,391)
	(698,896)	(771,436)
	1,292,316	957,487

The net change of Rs. 334,829 in the deferred tax asset balance for the year has been recognised in the profit and loss account.

(Amounts in Rs.'000)

10. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2012	2011
Stores		149,287	131,341
Spare parts and loose tools		9,529	8,383
		158,816	139,724
Less: Provision for impairment		(24,385)	(24,385)
		134,431	115,339

11. STOCK-IN-TRADE

	Note	2012	2011
Petroleum and other products (gross)	11.1 & 11.2	59,525,630	61,042,064
Less: Stock held on behalf of third parties	11.3	(1,612,460)	(2,120,928)
		57,913,170	58,921,136
Less: Provision for slow moving products - lubricants		(21,456)	(21,456)
		57,891,714	58,899,680
In pipeline system of Pak-Arab Pipeline Company Limited and Pak-Arab Refinery Limited		24,826,743	33,627,717
		82,718,457	92,527,397
Add: Charges incurred thereon		5,805,337	2,850,996
		88,523,794	95,378,393

11.1 Includes stock-in-transit amounting to Rs. 21,356,041 (2011: Rs.32,742,819) and stocks held by:

	2012	2011
Pakistan Refinery Limited - related party	107,529	107,529
Shell Pakistan Limited	340,852	475,539
Byco Petroleum Pakistan Limited	267,944	222,233
	716,325	805,301

11.2 Includes stock valued at net realisable value amounting to Rs. 45,997,354 (2011: Rs. 1,573,775).

11.3 Includes stock held in trust on behalf of third parties, net of storage, handling and other charges amounting to Rs. 23,730 (2011: Rs. 23,730) recoverable thereagainst.

12. TRADE DEBTS

	Note	2012	2011
Considered good			
- Due from Government agencies and autonomous bodies			
- Secured	12.1	36,946,574	18,423,973
- Unsecured		24,707,490	7,824,461
		61,654,064	26,248,434
- Due from other customers			
- Secured	12.1 & 12.2	8,029,050	8,014,856
- Unsecured	12.2 & 12.3	148,339,178	90,458,542
		156,368,228	98,473,398
		218,022,292	124,721,832
Considered doubtful	12.2	2,428,445	2,780,313
Trade debt - gross		220,450,737	127,502,145
Provision for impairment	12.4 & 12.5	(2,428,445)	(2,780,313)
Trade debt - net		218,022,292	124,721,832

(Amounts in Rs.'000)

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

12.2 The receivable from Hub Power Company Limited (HUBCO) and Kot Addu Power Company Limited (KAPCO) as at June 30, 2012 aggregated to Rs. 137,611,653 (2011: Rs. 85,537,262) which includes over due amount of Rs. 64,617,029 (2011: Rs. 12,379,191). Subsequent to year end, payments of Rs. 12,137,000 and Rs. 2,064,843 (aggregating Rs. 14,201,843) have been received from HUBCO and KAPCO respectively against those overdue amounts. The Company while estimating the provision for impairment on the basis of overdue analysis did not consider the overdue balance of Rs. 50,415,186 receivable from HUBCO, as doubtful, as this has been accumulated due to existing circular debt situation while overdue balance of KAPCO was fully received subsequent to the year end. The Company based on measures being undertaken by the Government of Pakistan (GoP) is confident that aforementioned amount will be received in due course. Besides the management also maintains that overdue balances reported in earlier years have always been settled subsequently, therefore, no impairment provision is required for current year.

12.3 The receivable from Karachi Electric Supply Company Limited (KESC) as at June 30, 2012 comprises of over due amount of Rs. 5,861,968 (2011: NIL) which has not been impaired. The breakup of this amount is as follows:

12.3.1 Rs. 1,159,000 pertains to supplies made to KESC during April 2011 under Gas Load Management Program (GLMP) arrangement approved through Economic Coordination Committee (ECC) decision No. ECC-80/9/2011 dated May 7, 2011. Total supplies under the above arrangement were of Rs. 4,198,883. During the current year, the company has recovered Rs. 3,039,883 from KESC and is actively pursuing the matter with KESC and GoP to recover the remaining amount in full in due course of time.

12.3.2 Rs. 2,236,315 pertains to GLMP supplies made to KESC during Ramadan & Eid holidays in 2011. The Company in a meeting held on July 29, 2011 at Governor House chaired by the Honorable Governor Sindh and Honorable Advisor to Prime Minister on Petroleum & Natural Resources (MoP & NR) on the agenda to reduce load shedding during Ramadan & Eid holidays in the KESC region, was directed to supply furnace oil to KESC at the prices equivalent to natural gas price plus applicable duties & taxes. Accordingly, furnace oil was provided to KESC which resulted in a price differential claim of Rs 2,236,315. The ECC decision No. 144/15/2011 against this was received on November 11, 2011, narrated that modalities for reimbursement of PDC to PSO would be decided by the MoP & NR in consultation with Ministry of Finance (MoF) and Ministry of Water and Power (MoW&P). The Company submitted an independent report on November 29, 2011 on the verification of the said claim to MoP & NR.

MoF communicated vide letter F.No. 5(79)CF. V/2009-Vol-II dated December 07, 2011 that price differential between HSFO and natural gas under GLMP needs to be passed on to the consumer and later on MoW&P communicated to National Electricity Power Regulatory Authority (NEPRA) to take necessary action in this aspect vide its letter No. PIII-3(2)/2011 dated January 27, 2012. NEPRA vide its letter No. NEPRA/TRF-133/KESCL-2009/1369-71 dated Feburary 09, 2012 and letter No. NEPRA/TRF-133/KESCL-2009/5662 dated June 21, 2012 communicated to MoP & NR and MoW&P that full price of HSFO had been taken while making KESC's tariff determination for the period August to December 2011. Consequently, the PDC resulting from above supplies to KESC have been classified as receivable from KESC.

(Amounts in Rs.'000)

12.3.3 Rs. 2,466,626 pertains to GLMP supplies made to KESC in the month of October 2011. Based on the instructions of MoP&NR with the support of MoF, the Company supplied furnace oil to KESC at the prices equivalent to natural gas price plus applicable duties and taxes, to reduce energy crisis in the month of October 2011. The Company supplied furnace oil to KESC during the period from October 4, 2011 till November 2, 2011 which resulted in a price differential claim of Rs. 2,466,626.

NEPRA letter No. NEPRA/TRF-133/KESCL-2009/5662 dated June 21, 2012 communicated to MoP & NR and MoW&P that full price of HSFO had been taken while making KESC's tariff determination for the period September to December 2011. Consequently, the PDC resulting from above supplies to KESC have been classified as receivable from KESC.

12.3.4 The Company is actively pursuing the above claims with KESC and GoP and is confident to recover the balance amount in due course of time, since the oil supplies were made on the directive of the Government of Pakistan.

12.4 As at June 30, 2012, trade debts aggregating Rs. 2,585,867 (2011: Rs. 3,545,374) excluding those due from HUBCO and KESC were past due, for which provision of Rs. 2,428,445 (2011: Rs. 2,780,313) has been recorded, being the impaired debts. The individually impaired debts relate to various customers including Government agencies and autonomous bodies which are facing difficult economic situations. The ageing of these trade debts is as follows:

	Note	2012	2011
3 to 6 months		70,532	144,342
More than 6 months		2,515,335	3,401,032
		2,585,867	3,545,374

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

	Note	2012	2011
Balance at beginning of the year		2,780,313	2,630,792
(Reversal of provision)/charged during the year and recognised in other operating expenses	31	(351,868)	223,838
Write-off against provisions		-	(74,317)
Balance at end of the year		2,428,445	2,780,313

(Amounts in Rs.'000)

	2012	2011
12.6 Amounts due from related parties, included in trade debts, are as follows:		
Water and Power Development Authority	55,849,866	22,379,188
Kot Addu Power Company Limited	30,932,506	29,707,843
Pakistan International Airlines Corporation	2,623,608	2,132,953
Pakistan Railways	1,386,220	849,035
National Logistic Cell	564,983	370,194
Oil & Gas Development Corporation Limited	349,704	355,269
Pakistan Steel Mills Corporation Limited	41,039	63,528
Heavy Industrial Complex Taxila	29,902	27,275
Director General Industrial Procurement and Services	19,559	12,039
Pakistan Petroleum Limited	11,844	24,299
Frontier Works organisation	7,301	7,301
Pakistan National Shipping Corporation	2,021	89,736
Sui Southern Gas Company Limited	381	2,800
Civil Aviation Authority	78	-
	91,819,012	56,021,460

13. LOANS AND ADVANCES - unsecured, considered good

	Note	2012	2011
Loan to executives and employees			
- Current portion of long-term loans including Rs. 39,479 (2011: Rs. 31,432) to executives	7	98,398	70,325
- Short-term loans		60,882	4,265
		159,280	74,590
Advance to suppliers		131,641	120,784
Advance for Company-owned filling stations		235,197	235,342
		526,118	430,716

13.1 Includes Rs. 57,195 (2011: Rs. 6,001) to Pakistan Refinery Limited, a related party, against purchase of Liquified Petroleum Gas (LPG).

14. DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2012	2011
Deposits			
Duty and development surcharge		2,415,660	918,246
Prepayments			
Rentals and others		43,795	65,729
Current portion of long-term prepaid rentals	8	68,951	43,406
		112,746	109,135
		2,528,406	1,027,381

(Amounts in Rs.'000)

15. OTHER RECEIVABLES - unsecured	Note	2012	2011
Due from Government of Pakistan (GoP) on account of:			
- Price differential claims			
- on imports (net of related liabilities) of motor gasoline	15.1	1,350,961	6,119,828
- on High Speed Diesel	15.2	1,001,686	1,117,202
- on ethanol E-10 fuel		25,731	6,203
- on account of supply of furnace oil to KESC at Natural Gas prices	15.3	3,908,581	3,908,581
- Water and Power Development Authority (WAPDA) receivables	15.4	3,407,357	3,407,357
		9,694,316	14,559,171
- Excise, Petroleum Development Levy (PDL) and custom duty		268,018	268,018
- Sales tax refundable		3,973,321	2,833,623
		13,935,655	17,660,812
Less: Provision for impairment - others	15.6	(83,112)	(83,112)
		13,852,543	17,577,700
Receivable from KESC		-	97,968
Handling and hospitality charges		778,499	625,370
Product claims - Insurance and other - considered doubtful		90,201	90,201
Less: Provision for impairment	15.6	(90,201)	(90,201)
		-	-
Receivables from oil marketing companies		3,278,690	3,385,630
Inland Freight Equalisation Margin (IFEM) including freight equalisation receivable from government		2,247,020	46,522
Others			
- considered good	15.5	965,414	787,088
- considered doubtful		91,829	91,829
		1,057,243	878,917
Less: Provision for impairment	15.6	(91,829)	(91,829)
		965,414	787,088
		21,122,166	22,520,278

(Amounts in Rs.'000)

15.1 Import price differential on motor gasoline aggregating to Rs. 1,350,961 (2011: Rs. 6,119,828).

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

The Company continued to follow up this matter with MoP & NR for early settlement of these claims and the concerned ministry has also confirmed vide its letter Ref. PL-NP(4) /2010 -F & P dated July 28, 2010 that the abovementioned claims are under process. During financial year 2010-2011, MoP & NR vide its letter No. PL-3(434) /2011Vol XII dated May 31, 2011 implemented the ECC decision where by ex-refinery price of motor gasoline will be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. During the current year, the audit for the period from March 1 to May 31, 2011 was completed and audit report was submitted to MoP& NR. Based on the findings of the audit, the claim amount was increased by Rs. 50,000. Further, price differential claim of Rs. 181,000 has arised on import of motor gasoline during the current year. Out of total claim of Rs. 6,350,961, the Company has received an amount of Rs. 5,000,000 in the current year. The Company is confident to recover the balance amount of Rs. 1,350,961 in due course of time. Subsequent to the year end, MoP & NR vide its letter no MP-7 (4)/2011-12 dated July 27, 2012 has stated that the company's claim is under process subject to clearence of special audit by the Auditor General of Pakistan.

15.2 Price differential claims (PDC) relating to certain HSD products aggregating Rs. 1,001,686 (June 30, 2011: Rs. 1,117,202).

This represents the balance of price differential claims (PDC) due from GoP. These claims have arisen on the instructions of MoP & NR for keeping the consumer prices of HSD products stable. The balance outstanding at year end is withheld by the GoP subject to finalisation of the report on independent verification of these claims.

The Company vide its letter Ref. AH/3010/Conf. dated July 26, 2010 requested a written acknowledgement of the aforementioned balance from MoP & NR. The concerned Ministry vide its letter Ref. PL-NP(4)/2010 - F&P dated July 28, 2010 confirmed that the claims referred in the Company's letter are under process. Ministry of Petroleum and Natural Resources (MoP & NR) vide its letter No. P-7(4)/2010-11 dated April 7, 2011, requested Ministry of Finance (MoF) to make allocation amounting to Rs. 3,741,000 in respect of outstanding price differential claims/subsidy on petroleum products due to capping of prices from May 2004 to October 2008 in budget estimates for financial year 2011-12 for payment to Oil Marketing Companies. The Company vide its letter No. YS/ Ministry dated May 25, 2011 also requested the MoF to include this claim in the budget for the financial year 2011-12. During the current year, the Company vide its letter No. YS/Ministry dated July 1, 2011 appraised MoP & NR that budgetary provision in respect of abovementioned claim has not been made in the budget for the financial year 2011-12 and requested MoP & NR to follow up the matter with MoF for payment of abovementioned claim. Further Company has received directive from Government of Pakistan vide letter No.2(5)/2008-BR-1/298 dated April 25, 2012 to adjust an amount of Rs. 514,600 against dividends payable to GoP. Accordingly, subsequent to year end the Company has adjusted an amount of Rs. 115,517 against interim dividend for financial year 2011-2012. The Company is confident to recover the amount in full in due course of time. Subsequent to the year end, MoP & NR vide its letter no MP-7(4)/2011-12 dated July 27,2012 has stated that the company's claim is under process subject to clearence of special audit by the Auditor General of Pakistan.

15.3 Price differential claim on account of supply of furnace oil to KESC at Natural Gas prices aggregating to Rs. 3,908,581 (June 30, 2011: Rs. 3,908,581)

The Company received a directive from MoP & NR through letter NG(1)-7(58)09-LS(Vol-1) dated November 26, 2009 in which the Company was directed to supply furnace oil to Karachi Electric Supply Company (KESC) at the prices equivalent to natural gas prices plus applicable duties and taxes under the Natural Gas Load Management Program (NGLMP) for Winter 2009-2010. As per this arrangement the differential cost between the natural gas and furnace oil would be borne by GoP and reimbursed directly to the Company by Ministry of Finance. The Company was again directed by GoP in May 2010 to supply furnace oil to KESC at natural gas prices. Accordingly, furnace oil was provided to KESC due to which price differential claim of Rs. 5,708,581 arised out of which Rs. 1,800,000 were received from MoF in June 2010.

The Company vide its letter No. 100-01 (3) dated April 5, 2011 requested the Ministry of Water and Power and MoP & NR for their intervention for settlement of aforementioned amount before June 30, 2011 or the inclusion of the same in the budget for the fiscal year 2011-2012. The Ministry of Water and Power vide its letter No. PI-6(38)/2010 dated May 7, 2011 and MoP & NR vide its letter No. P-7(4)/2010-11 dated April 25, 2011 requested MoF to allocate the above mentioned claims of Rs. 3,300,000 and Rs. 608,581 respectively in budget for fiscal year 2011-12. The Company vide its letter Ref. Y/S Ministry dated May 25, 2011 also requested the MoF to include claim of Rs. 3,300,000 and Rs. 608,581 in the budget for the fiscal year 2011-12. The Company vide its letter No. 100-02(7) dated Feburary 14, 2012 requested the Ministry of Water & Power (MoW&P) to include claim of Rs. 3,300,000 and Rs. 608,581 in the budget for the fiscal year 2012-13.The MoW&P vide its letter No. PI-6(38)/2010 dated March 20, 2012 requested Ministry of Finance (MoF) to allocate the above mentioned claims in the budget for fiscal year 2012-13. The company is actively pursuing this matter with GoP and is confident to recover the amount in full in due course of time.

15.4 Price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) aggregating Rs. 3,407,357 (June 30, 2011: Rs. 3,407,357)

In 1996, through a decision taken at a meeting of the Privatisation Commission, and Finance Division, GoP, the Company was advised to supply LSFO to Kot Addu Power Project at the HSFO price and WAPDA was advised to absorb the price differential between the two products. In accordance with the decision of ECC dated November 4, 2003, the Company was allowed to recover this amount through a pricing mechanism after recovery of the amount outstanding against its claims for import price differential aggregating to Rs. 1,465,406 , the notification for which expired on December 31, 2004. Although no recovery has been made on this account, the Company continues to follow up the matter with MoP & NR. In 2005, the Company submitted an independent report on the verification of the above claim to MoP & NR, upon their request. In 2006, a joint reconciliation exercise was carried out with WAPDA as per the decision taken in a meeting held on May 19, 2006 under the Chairmanship of Additional Finance Secretary (GoP) and the final reconciliation statements were submitted to MoF and WAPDA. Subsequently, on February 3, 2007 the Company and WAPDA agreed upon the final receivable balance of Rs. 3,407,357. Further, the GOP – Finance Division through its letter No. F.1(21)-CF.III/2005-385 dated March 3, 2007 intimated that the amount of Rs. 3,407,357 will be paid to the Company during financial year 2007-2008 and necessary provision in this respect will be made by GoP in the budget for financial year 2007-08. The Company through its letter dated May 20, 2008 requested the GoP to arrange the payment of the agreed amount before the end of the budget year 2007-08, to which GoP did not respond.

(Amounts in Rs.'000)

The Company again requested GoP through letters dated September 29, 2008 and April 22, 2009 for an early settlement. MoF through letter No. F.5.CF.I/1997-98-607 dated August 4, 2009 acknowledged and agreed to pay this amount to the Company. Further MoP & NR vide its letter No. PI-7(4)/2009 dated March 26, 2010, requested GoP – Finance division to make an allocation in respect of above mentioned claim of the Company in the budget for Fiscal year 2010-11 for payment to the Company. During the year ended June 30, 2011, the Company vide its letter No. 100-01 (3) dated April 5, 2011 requested the Ministry of Water and Power for its intervention for settlement of aforementioned amount before June 30, 2011 or the inclusion of the same in the budget for the fiscal year 2011-12. The Ministry of Water & Power vide its letter No. PI-6 (38)/2009 dated April 25, 2011 and the Company vide its letter No. YS/Ministry dated May 25, 2011 also requested MoF to allocate Rs. 3,407,000 in the budget for financial year 2011-12 in respect of above mentioned claim. The Ministry of Water & Power vide its letter No. PL-6 (38)/2010 dated June 29, 2011 mentioned its understanding that the budgetary provision in respect of above claim has not been made in the budget for year 2011-12 and requested MoF to release the above mentioned claim through special budgetary grant to clear the long outstanding claims of the Company during financial year 2011-12. The MoW&P vide its letter No. PI-6(38)/2010 dated March 05, 2012 requested Ministry of Finance (MoF) to allocate the above mentioned claims in the budget for fiscal year 2012-13. The Company considers that the above amount will be recovered in full in due course of time.

15.5 Includes Rs. 13,905 (2011: Rs. 15,880) from Asia Petroleum Limited, a related party, on account of facilities charges.

15.6 As at June 30, 2012 receivables aggregating to Rs. 265,142 (2011: Rs. 265,142) were deemed to be impaired, and hence provision was made there against amounting to Rs. 265,142 (2011: Rs. 265,142).

	2012	2011
The movement in provision for impairment is as follows:		
Balance at beginning of the year	265,142	776,417
Less: written off during the year	-	(511,275)
Balance at end of the year	265,142	265,142

15.7 As at June 30, 2012, receivables other than freight equalisation, petroleum development levy and custom duty and sales tax refundable aggregating Rs. 11,401,613 (2011: Rs. 15,969,198) were past due but not impaired. The ageing of these receivables is as follows:

	2012	2011
Up to 3 months	177,557	783,486
3 to 6 months	113,777	736,133
More than 6 months	11,110,279	14,449,579
	11,401,613	15,969,198

(Amounts in Rs.'000)

16. CASH AND BANK BALANCES

	Note	2012	2011
Cash in hand		5,854	7,477
Cash at bank on:			
- current accounts	16.1	1,614,564	1,988,138
- deposit accounts	16.2	3,607	313,391
		1,618,171	2,301,529
		1,624,025	2,309,006

16.1 Includes Rs. 957,080 (2011: Rs. 895,705) kept in a separate bank account in respect of security deposits received from the customers.

16.2 Balances with other banks carry mark-up ranging from 5% to 15% (2011: 5% to 13.15%) per annum.

17. NET ASSETS IN BANGLADESH

	2012	2011
Property, plant and equipment - at cost	46,968	46,968
Less: Accumulated depreciation	(16,056)	(16,056)
	30,912	30,912
Capital work in progress	809	809
Debtors	869	869
Long-term loans relating to assets in Bangladesh	(4,001)	(4,001)
	28,589	28,589
Less: Provision for impairment	(28,589)	(28,589)
	-	-

The Company has no control over these assets and has maintained in its record the position as it was in 1971.

18. SHARE CAPITAL

2012	2011		2012	2011
(Number of shares)				
Authorised capital				
200,000,000	200,000,000	Ordinary shares of Rs. 10 each	2,000,000	2,000,000
Issued, subscribed and paid-up capital				
3,000,000	3,000,000	Ordinary shares of Rs. 10 each issued for cash	30,000	30,000
7,694,469	7,694,469	Ordinary shares of Rs. 10 each issued against shares of the amalgamated companies	76,945	76,945
160,824,432	160,824,432	Ordinary shares of Rs. 10 each issued as bonus shares	1,608,245	1,608,245
171,518,901	171,518,901		1,715,190	1,715,190

(Amounts in Rs.'000)

19. RESERVES

	Note	2012	2011
Capital reserve			
- Surplus of vesting of net assets	19.1	3,373	3,373
- Unrealised gain on revaluation of long-term quoted investments available for sale		346,848	491,751
- Company's share of unrealised gain / (loss) on available-for-sale investments of associates		1,431	(1,935)
		351,652	493,189
Revenue reserve			
- General		25,282,373	25,282,373
- Unappropriated profit		22,610,693	14,412,233
		47,893,066	39,694,606
		48,244,718	40,187,795

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

20. LONG-TERM DEPOSITS

	Note	2012	2011
Dealers		515,059	471,808
Equipment	20.1	176,992	177,536
Cartage contractors	20.2	484,027	374,187
		1,176,078	1,023,531

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

20.2 These represent deposits from contractors against the cartage contracts for transportation of petroleum products. The deposits are refundable on cancellation of these contracts. Interest is payable on the deposits at saving bank account rate of National Bank of Pakistan after deducting 2% service charge, effective July 01, 2002.

21. RETIREMENT AND OTHER SERVICE BENEFITS

	Note	2012	2011
Gratuity	21.1	604,880	558,802
Pension	21.1	527,088	466,637
Medical benefits	21.1	1,150,240	982,963
Compensated absences		236,294	225,315
		2,518,502	2,233,717

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

21.1.1 **Reconciliation of obligations as at year end**

	Gratuity fund		Pension funds		Medical benefits	
	2012	2011	2012	2011	2012	2011
Present value of defined benefit obligations	2,903,619	2,423,323	5,781,499	4,796,002	1,258,599	1,177,215
Fair value of plan assets	(1,508,365)	(1,110,606)	(3,690,014)	(3,013,975)	-	-
	1,395,254	1,312,717	2,091,485	1,782,027	1,258,599	1,177,215
Unrecognised actuarial loss	(790,374)	(753,915)	(1,545,042)	(1,289,950)	(108,359)	(194,252)
Unrecognised past service cost	-	-	(19,355)	(25,440)	-	-
Net liability at end of the year	604,880	558,802	527,088	466,637	1,150,240	982,963

(Amounts in Rs.'000)

21.1.2 Movement in liability

	Gratuity fund		Pension funds		Medical benefits	
	2012	2011	2012	2011	2012	2011
Net liability at beginning of the year	558,802	579,093	466,637	305,565	982,963	853,918
Charge for the year	391,308	289,933	506,259	342,490	208,648	164,313
Contributions during the year	(345,230)	(310,224)	(445,808)	(181,418)	-	-
Benefits paid during the year	-	-	-	-	(41,371)	(35,268)
Net liability at end of the year	604,880	558,802	527,088	466,637	1,150,240	982,963

21.1.3 Movement in defined benefit obligations

	Gratuity fund 2012	Gratuity fund 2011	Pension funds 2012	Pension funds 2011	Medical benefits 2012	Medical benefits 2011
Present value of defined benefit obligations at beginning of the year	2,423,323	1,876,748	4,796,002	3,792,807	1,177,215	1,049,374
Service cost	156,562	122,345	176,400	137,066	36,225	27,731
Interest cost	348,403	239,699	695,240	482,648	166,536	129,619
Benefits paid during the year	(132,380)	(120,186)	(196,425)	(167,386)	(41,371)	(35,268)
Actuarial loss / (gain)	107,711	304,717	310,282	550,867	(80,006)	5,759
Present value of defined benefit obligation at end of the year	2,903,619	2,423,323	5,781,499	4,796,002	1,258,599	1,177,215

21.1.4 Movement in fair value of plan assets

	Gratuity fund 2012	Gratuity fund 2011	Pension funds 2012	Pension funds 2011	Medical benefits 2012	Medical benefits 2011
Fair value of plan assets at beginning of the year	1,110,606	786,686	3,013,975	2,543,128	-	-
Expected return on plan assets	153,010	96,980	439,187	324,332	-	-
Contributions made by the Company	345,230	310,224	445,808	181,418	-	-
Benefits paid during the year	(132,380)	(120,186)	(196,425)	(167,386)	-	-
Actuarial gain / (loss)	31,899	36,902	(12,531)	132,483	-	-
Fair value of plan assets at end of the year	1,508,365	1,110,606	3,690,014	3,013,975	-	-

21.1.5 The principal assumptions used in the actuarial valuations carried out as of June 30, 2012, using the 'Projected Unit Credit' method, are as follows:

	Gratuity fund		Pension funds		Medical benefits		Compensated absences	
	2012	2011	2012	2011	2012	2011	2012	2011
Discount rate	13.50%	14.50%	13.50%	14.50%	13.50%	14.50%	13.50%	14.50%
Expected per annum rate of return on plan assets	13.50%	14.50%	13.50%	14.50%	-	-	-	-
Expected per annum rate of increase in future salaries	13.00%	14.00%	13.00%	14.00%	-	-	13.00%	14.00%
Future per annum rate of increase in medical costs	-	-	-	-	9.66%	11.00%	-	-
Indexation of pension	-	-	6.57%	8.00%	-	-	-	-
Expected mortality rate	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table	PMA/PFA 80 mortality table
Expected withdrawal rate	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent

Notes to the Financial Statements
For the year ended June 30, 2012

(Amounts in Rs.'000)

21.1.6 Actual return on plan assets

	Gratuity fund		Pension fund	
	2012	2011	2012	2011
	183,035	114,038	435,181	438,906

21.1.7 Plan assets comprises of the following:

	2012		2011	
	Amount	%age	Amount	%age
Equity	348,576	7%	321,129	8%
Debts	4,709,495	90%	3,424,537	83%
Others	140,308	3%	378,915	9%
	5,198,379		4,124,581	

21.1.8 Plan assets include the Company's ordinary shares with a fair value of Rs. 66,762 (2011: Rs. 74,879).

21.1.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

21.1.10 Expected contributions to post employment benefit plans for the year ending June 30, 2013 are Rs. 932,677 (2012: Rs. 897,567).

21.1.11 Comparison for five years:

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	(9,943,717)	(8,396,540)	(6,718,929)	(6,037,800)	(4,932,465)
Fair value of plan assets	5,198,379	4,124,581	3,329,814	2,959,009	2,641,325
Deficit	(4,745,338)	(4,271,959)	(3,389,115)	(3,078,791)	(2,291,140)
Experience adjustments:					
Increase / (decrease) plan liabilities	337,987	861,343	19,148	198,912	(50,488)
Gain / (loss) on plan assets	26,019	131,632	(9,011)	(262,987)	55,873

(Amounts in Rs.'000)

22. TRADE AND OTHER PAYABLES

	Note	2012	2011
Creditors for:			
Purchase of oil			
- local	22.1	94,249,224	54,909,613
- foreign		98,122,787	94,174,044
		192,372,011	149,083,657
Others		1,211,706	1,039,108
		193,583,717	150,122,765
Accrued liabilities	22.2	35,942,453	27,532,775
Inland Freight Equalisation Margin Mechanism (IFEM)		-	1,223,932
Due to oil marketing companies and refineries		817,065	2,498,829
Advances			
- from customers		8,610,415	6,495,600
- against equipments		22,306	21,271
		8,632,721	6,516,871
Taxes and other government dues			
- Excise, taxes and other duties		5,040,305	1,434,806
- Octroi		31,452	31,452
- Income tax deducted at source		57,326	36,339
		5,129,083	1,502,597
Workers' Profits Participation Fund	22.3	710,508	965,329
Workers' Welfare Fund		309,382	374,158
Short term deposits - interest free	22.4	634,426	369,363
Unclaimed dividend		962,319	698,475
Others		45,786	45,923
		246,767,460	191,851,017

22.1 Includes Rs. 17,832,391 (2011: Rs. 6,745,213) and Rs. 30,763,541 (2011: Rs. 20,308,547) payable to related parties namely Pakistan Refinery Limited and Pak Arab Refinery Company Limited respectively.

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

	Note	2012	2011
Pak-Arab Pipeline Company Limited		150,000	157,523
Asia Petroleum Limited		139,053	158,812
		289,053	316,335

22.3 Workers' Profits Participation Fund

	Note	2012	2011
Balance at beginning of the year		965,329	964,721
Add: Allocation for the year	31	710,508	965,329
		1,675,837	1,930,050
Less: Payments during the year		(965,329)	(964,721)
Balance at end of the year		710,508	965,329

22.4 These security deposits are non-interest bearing and are repayable on termination of contract.

(Amounts in Rs.'000)

23. PROVISIONS

	2012	2011
Balance at end of the year	688,512	688,512

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

24. SHORT-TERM BORROWINGS - secured

	Note	2012	2011
Short-term finances	24.1 & 24.2	26,032,483	2,701,466
Finances under mark-up arrangements	24.1 & 24.3	19,740,166	21,840,045
		45,772,649	24,541,511

24.1 The total outstanding balance is against the facilities aggregating Rs. 56,047,171 (2011: Rs. 37,910,964) available from various banks. These facilities will expire on various dates by March 31, 2014 and are secured by way of floating charge on Company's all present and future assets, except land and building, and hypothecation of Company's moveable assets, stocks and receivables.

24.2 The rate of mark up for these facilities ranges from Re. 0.03 to Re. 0.36 (2011: Re. 0.03 to Re. 0.40) per Rs.1,000 per day.

24.3 The rate of mark up for these facilities ranges from Re. 0.34 to Re. 0.39 (2011: Re. 0.38 to Re. 0.43) per Rs.1,000 per day, net of prompt payment rebates. These facilities are renewable subject to payment of repurchase price on specified dates.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

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

25.1.1 Claims against the Company not acknowledged as debts includes claim amounting to Rs. 11,307,100 (June 30, 2011: Rs.8,988,976) for delayed payment charges on the understanding that this amount will be payable only when the Company will realise interest from other entities under circular debt. Charges claimed by the Company for delayed payment by customers due to circular debt is recognised on receipt basis as the ultimate outcome of the matter and amount of settlement between the stakeholders can not be presently determined.

25.1.2 In the assessment years 1996-97 and 1997-98, the taxation authorities applied presumptive tax on the Company to the value of petroleum products imported by the Company on behalf of the GoP by treating the Company as the importer of such products. The Income Tax Appellate Tribunal (ITAT) cancelled the order of the assessing officer, and as a consequence of the order of the ITAT, an amount of Rs. 958,152 became refundable to the Company, which was adjusted against the tax liability of the subsequent years. The department had filed an appeal with the High Court of Sindh against the aforesaid decision of the ITAT, which was adjudicated against the Company. The Company filed petition for leave to appeal with the Supreme Court of Pakistan against the aforementioned decision, which was granted by the Supreme Court of Pakistan through its order dated March 7, 2007 also suspending the operation of the impugned judgment of the High Court of Sindh. The management maintains that the Company was merely acting as a handling agent on behalf of GoP, which was in fact the importer of the products. Hence, the ultimate liability, if any, is recoverable from GoP, for which the management is in communication with the MoP & NR.

Based on the merits of the case and its legal advisor's opinion, the Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in this respect in these financial statements.

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

The Company is now contesting the matter before the Commissioner Inland Revenue (Appeals). Based on the view of tax advisors, the Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in this respect in these financial statements.

25.1.4 The Company received demands for tax years 2004 to 2008, from the taxation authorities aggregating to Rs. 823,227 in respect of tax less withheld on incentives paid to dealers operating retail outlets. As per the taxation authorities, such payments were in the nature of prizes on sales promotion to dealers and hence subject to withholding of tax @ 20% under section 156 of the Income Tax Ordinance (ITO), 2001. The Company based on the advice of its tax consultant, has paid an amount of Rs. 321,993 there against under the "Tax Arrears Settlement Incentive Scheme (TASIS), 2008", while treating the same as recoverable from dealers, on the contention that incentives to dealers attract tax @ 10% under section 156A of the ITO, 2001. Therefore, the Company filed an appeal against the demands under section 156 of the ITO, 2001, with the Commissioner of Income Tax (CIT) (Appeals) and also a petition in the High Court of Sindh for the stay thereof. The High Court of Sindh in its order, dated January 13, 2009 granted the stay to the Company with directions to deposit Rs. 200,000 in addition to payment of Rs. 321,993 earlier made by the Company, with the taxation authorities against such demands. Further, the High Court of Sindh directed CIT (Appeals) to hear the appeal.

The CIT (Appeals) passed an order on February 13, 2009 against the Company. The Income Tax Appellate Tribunal Inland Revenue (ATIR) on the appeal filed against CIT (Appeals) order, set aside and remanded the case to taxation officer for fresh consideration which was subsequently adjudicated against the Company by the taxation officer vide order dated February 15, 2010. The Company filed an appeal before the Commissioner of Inland Revenue (Appeals) against the said decision of the taxation officer on

(Amounts in Rs.'000)

March 25, 2010 which was adjudicated against the Company on November 25, 2010. The Company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the said order which is pending for decision. During the current year taxation authorities issued notices for recovery of the outstanding demands and in order to avoid any coercive action from Tax authorities the company has also paid the remaining amount of Rs. 301,234 on the advise of its tax advisor. The Company based on merits of the case and on advice of its tax advisors is confident that the matter will ultimately be decided in its favour and therefore no provision has been made for the said amount.

Further, the Company intends to recover the aforementioned tax of Rs. 321,993 from the dealers, included in other receivables, out of which Rs. 151,553 (June 30, 2011: Rs. 104,520) have been already recovered from such dealers till June 30, 2012. The management is confident that it will recover the remaining amount of Rs. 170,474 and accordingly, no provision has been made against these receivables in these financial statements.

25.1.5 The Government of Sindh through Sindh Finance Act, 1994 provided for imposition of an infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The levy was challenged by the Company along with other companies in the High Court of Sindh through civil suits which were dismissed by the single judge of the High Court of Sindh through its decision in October 2003. On appeal filed there against, the High Court of Sindh has held through an order passed in September 2008 that the levy as imposed through the Sindh Finance Act, 1994 and amended time to time was not valid till December 28, 2006, however, thereafter on account of an amendment in the Sindh Finance (Amendment) Ordinance, 2006, it had become valid and is payable by the Appellants. The Company, along with other companies, filed an appeal in the Supreme Court of Pakistan against the aforementioned order of High Court of Sindh. The Supreme Court granted stay by passing an interim order on January 22, 2009. The order passed by the High Court of Sindh was set aside by the Supreme Court vide its order dated May 20, 2011. Consequently, a new petition has been filed in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes-III), upto June 30, 2012, the management has deposited Rs. 46,762 in cash and provided bank guarantee amounting to Rs. 46,762 with the Excise and Taxation Department. Based on the views of its legal advisors, the management believes that the matter will ultimately be decided in the Company's favour. Total amount of possible obligation, if any, cannot be determined with sufficient reliability. Accordingly, no provision has been made against infrastructure fee in these financial statements.

25.1.6 The taxation officer passed assessment orders in respect of tax years 2004 to 2011 and made certain disallowances and additions resulting in an additional tax demand of Rs. 6,331,284. These orders were later rectified and amended to Rs. 5,987,296. The Company filed appeals against these orders before Commissioner Inland Revenue (Appeals) which were decided against the Company on most of the points except for tax years 2009 to 2011 which are pending for hearing. The Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR) against order of CIR (Appeals) for tax year 2004 which is pending decision. The Company is in the process of filing appeals with ATIR for the tax years 2005 to 2008. Based on the views of the tax advisors, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made for the said matters in these financial statements.

25.1.7 A sales tax order-in-original No. 01/2011 dated March 30, 2010 was issued by Deputy Commissioner Inland Revenue (DCIR), Federal Board of Revenue (FBR) in respect of sales tax audit of the Company for tax year 2004-2007. Under the said order, a demand of Rs. 883,864 was raised on account of certain transactions. A demand of the Rs. 512,172 in respect of default surchage has also been raised. The Company filed an appeal against the said order before Commissioner Inland Revenue (Appeals) decision of which decided against the Company. The Company filed an appeal against the order before the Appellate Tribunal Inland Revenue (ATIR) on November 27, 2010. During the current year, ATIR has decided the case in favour of the Company. The Company is evaluating whether departmental right to appeal against the said order has exhausted. However, ased on the merit of the case, no provision has been made in these financial statements.

25.1.8 A sales tax order-in-original No. 01/2011 dated June 30, 2011 was issued by Deputy Commissioner Inland Revenue (DCIR), Federal Board of Revenue (FBR) in respect of sales tax audit of the Company for tax year 2008. Under the said order, a demand of Rs. 643,759 was raised on account of certain matters. A demand of Rs. 32,188 in respect of penalty has also been raised. The Company filed an appeal against the said order before Commissioner Inland Revenue (Appeals) the decision of which is pending. Based on the views of its tax advisors, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in these financial statements.

25.1.9 An Order was passed by Assistant Commissioner (IR) -Enforcement and Collection Division against the Company on January 22, 2011 in which a demand was raised in respect of input sales tax claimed amounting to Rs. 650,446 along with default surcharge (to be calculated at the time of final payment) and penalty at the rate of 5% of sales tax involved on the grounds that the Company failed to make payments to the supplier in respect of these purchases through banking channels within 180 days of the issuance of sales tax invoice as required under section 73(2) of the Sales Act, 1990. The Company had filed an appeal before Commissioner Inland Revenue (CIR) (Appeals) against the above mentioned order on February 22, 2011 which was decided against the Company by CIR through his order dated April 23, 2012. The Company has filed an appeal against the aforesaid order of the CIR in Appellate Tribunal on June 11, 2012 which is pending adjudication. Based on the views of its tax advisors, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in these financial statements.

25.1.10 The Deputy Commissioner Inland Revenue (DCIR), Federal Board of Revenue (FBR) through his Orders passed under the Income Tax Ordinance (ITO), 2001 classified the payments in respect of trade discounts and advertisement expenses during tax years 2009 and 2010 as prizes subject to withholding of tax @ 20% under section 156 of the ITO, 2001. Consequently total tax demand of Rs. 339,312 was created vide the abovementioned orders which was subsequently rectified and amended to Rs. 318,837. The said rectification orders for the tax years 2009 and 2010 were further revised on October 11, 2011 and November 29, 2011 respectively and the said demand was reduced to Rs. 165,856. The Company has the contention that trade discounts attract tax @ 10% under section 156A of the ITO, 2001 and advertisement expenses attract taxes under section 153 of the ITO, 2001 which have been duly paid by the Company. Therefore, the Company had filed appeals against the said orders before the Commissioner Inland Revenue - CIR (Appeals). The CIR (Appeals) while deciding the appeals gave partial relief to the Company by deleting the portions of the demands that related to Sales Promotions / Advertisements. Subsequent to the year end, the company filed an appeal against aforesaid order of CIR (Appeals) before ITAT. Based on the views of its tax advisors, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in these financial statements.

(Amounts in Rs.'000)

25.1.11 During the current financial year the Assistant Commissioner Inland Revenue (ACIR), Federal Board of Revenue (FBR) through his order passed under the Income Tax Ordinance (ITO), 2001 classified the payments in respect of trade discounts during tax year 2011 as prizes subject to withholding tax @ 20% under section 156 of the ITO, 2001. Consequently total tax demand of Rs. 102,088 was created vide the abovementioned order. The Company has the contention that trade discounts attract tax @ 10% under section 156A of the ITO, 2001 which have been duly paid by the Company. Subsequent to the year end, the company filed a appeal against aforesaid order of CIR (Appeals) before ITAT. Based on the views of its tax advisors, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in these financial statements.

25.1.12 During financial year 2010- 2011, the Deputy District Officer, Property Division-B, Government of Sindh issued a show cause notice dated February 25, 2011 under the Sindh Immovable Properties Tax Act, 1958 against the Company for payment of property tax amounting to Rs. 35,578 in respect of Kemari terminal land rented by the Company from Karachi Port Trust (KPT). The Company has filed a suit in High Court of Sindh against KPT for recovery of property taxes paid on behalf of KPT during earlier periods amounting to Rs. 39,781 and restraining the relevant authorities from levying and collecting of property tax from the Company. The decision of the suit is pending and based on the views of its legal advisors, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in these audited financial statements.

25.1.13 During the year ended 30 June 2002 Schedule I to Stamp Duty Act, 1899 was substituted with a revised Schedule vide Stamp (Sindh Amendment) Ordinance, 2002 and stamp duty was levied at the rate of 0.2% of amount of contracts including purchase orders for supply or to undertake cartage of stores and materials. MoP & NR has also approached Chief Minister Sindh vide its letter reference D.O.No.PL-3(413)/2009 dated April 4 2009 on behalf of the oil marketing companies and refineries and has requested Chief Minister Sindh to direct Board of Revenue, Sindh to withdraw the levy of Stamp Duty on purchases of petroleum products as the pricing of petroleum products is a Federal subject.

Management in consultation with its legal advisors evaluated that the purchases of petroleum, oil and lubricants does not fall within the purview of the said act and, however, it may be applicable on the purchase of certain items the impact of which will not be significant.

25.1.14 At 30 June 2012 certain legal cases amounting to Rs. 1,772,581 (June: 2011 Rs.1,492,581) had been filed against the company. However, based on the advice of its legal advisors, the management believes that the outcome of these cases would be decided in the Company' s favour.

25.2 Commitments

25.2.1 Commitments in respect of capital expenditure contracted for but not as yet incurred are as follows:

	2012	2011
Property, plant and equipment for oil import	714,850	864,576
Intangibles	7,206	19,113
	722,056	883,689

25.2.2 Letters of credit for oil imports etc and bank guarantees outstanding as at June 30, 2012 amount to Rs. 12,238,537 (2011: Rs.15,424,753).

(Amounts in Rs.'000)

26. COST OF PRODUCTS SOLD

	Note	2012	2011
Opening stock			
Cost		92,548,853	52,018,100
Charges thereon		2,850,996	6,602,024
		95,399,849	58,620,124
Add: Purchases during the year			
Cost		936,103,063	775,966,398
Charges thereon		47,143,421	47,063,386
		983,246,484	823,029,784
Cost of products available		1,078,646,333	881,649,908
Less: Closing stock			
Cost		(82,739,913)	(92,548,853)
Charges thereon		(5,805,337)	(2,850,996)
		(88,545,250)	(95,399,849)
		990,101,083	786,250,059

27. OTHER OPERATING INCOME

		2012	2011
Commission, handling and other services		818,241	647,996
Income from CNG operations		402,225	391,906
Income from retail outlets - net		40,778	31,512
Handling, storage and other recoveries		801,267	688,175
Income from non fuel retail business		71,483	56,362
		2,133,994	1,815,951

28. TRANSPORTATION COSTS

		2012	2011
Cost incurred during the year		14,716,614	11,038,240
Realised against inland freight equalization margin		(11,642,892)	(16,417,542)
Less: Refinery share		355,287	3,517,039
		(11,287,605)	(12,900,503)
(Receivable from)/payable to other Oil marketing companies / adjustments		(2,223,615)	2,672,686
		(13,511,220)	(10,227,817)
		1,205,394	810,423

29. DISTRIBUTION AND MARKETING EXPENSES

	Note	2012	2011
Salaries, wages and benefits	30.1	3,445,568	3,166,023
Security and other services		90,377	82,310
Rent, rates and taxes		425,398	321,786
Repairs and maintenance		644,976	574,470
Insurance		198,934	112,616
Travelling and office transport		161,053	144,702
Printing and stationery		21,012	21,350
Communication		26,867	25,477
Utilities		195,174	167,601
Storage and technical services		122,974	122,923
Sales promotion and advertisement		431,708	358,507
Cards related costs		93,476	72,152
Others		5,653	5,316
		5,863,170	5,175,233

(Amounts in Rs.'000)

30. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries, wages and benefits	30.1	1,233,452	1,120,347
Security and other services		16,428	14,405
Rent, rates and taxes		5,933	5,043
Repairs and maintenance		72,508	63,476
Insurance		88,194	64,068
Travelling and office transport		36,736	37,871
Printing and stationery		11,916	11,415
Communication		22,933	21,804
Utilities		38,278	34,970
Storage and technical services		20,332	19,190
Legal and professional		28,892	48,027
Auditors' remuneration	30.5	8,675	7,993
Contribution towards expenses of Board of Management - Oil		11,050	4,800
Donations	30.6	59,565	57,327
Fee and subscription		4,638	3,796
		1,659,530	1,514,532

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

	2012				2011
	Gratuity fund	Pension funds	Medical benefits	Total	
Service cost	156,562	176,400	36,225	369,187	287,142
Interest cost	348,403	695,240	166,536	1,210,179	851,966
Expected return on plan assets	(153,010)	(439,187)	-	(592,197)	(421,312)
Recognition of actuarial loss	39,353	67,721	5,887	112,961	72,855
Recognition of past service cost	-	6,085	-	6,085	6,085
	391,308	506,259	208,648	1,106,215	796,736

In addition, salaries, wages and benefits also include Rs. 87,479 (2011: Rs. 68,815) and Rs. 49,914 (2011: Rs. 103,210) in respect of Company's contribution towards provident funds and staff compensated absences.

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

	2012		2011	
	Increase	Decrease	Increase	Decrease
Effect on the aggregate of current service cost and interest cost	32,512	32,088	32,254	31,118
Effect on the defined benefit obligation for medical benefits	191,915	187,072	215,693	142,084

(Amounts in Rs.'000)

30.3 Remuneration of Managing Director and Executives

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

	2012		2011	
	CEO/ Managing Director	Executives	CEO/ Managing Director	Executives
Managerial remuneration including performance bonus	11,770	910,428	17,380	739,896
Retirement benefits	1,640	211,979	1,450	170,605
Housing and utilities	5,265	355,461	9,096	290,368
Leave fare	748	76,083	3,066	52,496
	19,423	1,553,951	30,992	1,253,365
Number, including those who worked part of the year	2	578	2	491

30.3.2 The amount charged in respect of fee to six non-executive directors (2011: eight) aggregated to Rs. 1,650 (2011: Rs.1,681).

30.3.3 In addition, the CEO / Managing Director and certain Executives are provided with free use of Company maintained cars. Further, the CEO / Managing Director and Executives are also entitled to avail medical facilities and other benefits as per the Company's policy. The Company, based on actuarial valuations, has charged amounts in respect of retirement benefits for above mentioned employees which are included in note 30.1.

30.4 Effective from December 15, 2011 Mr. Naeem Yahya Mir has joined as CEO / Managing Director of the Company in place of Mr. Jehangir Ali Shah.

30.5 Auditors' remuneration

	2012			2011		
	KPMG Taseer Hadi & Co.	M. Yousuf Adil Saleem & Co.	Total	KPMG Taseer Hadi & Co.	M. Yousuf Adil Saleem & Co.	Total
Fee for the:						
- audit of annual financial statement	2,500	2,500	5,000	2,500	2,500	5,000
- review of half yearly financial statements	1,000	1,000	2,000	1,000	1,000	2,000
Certification of claims, audit of retirement funds and other advisory services	170	340	510	145	180	325
Out of pocket expenses	567	598	1,165	324	344	668
	4,237	4,438	8,675	3,969	4,024	7,993

30.6 The Directors and their spouse do not have any interest in any donees to which donations were made.

31. OTHER OPERATING EXPENSES

	Notes	2012	2011
Workers' Profits Participation Fund	22.3	710,508	965,329
Workers' Welfare Fund		263,202	366,825
Exchange loss - net		8,650,204	683,733
(Reversal of provision)/provision against - doubtful trade debts	12.5	(351,866)	223,838
		9,272,048	2,239,725

(Amounts in Rs.'000)

32. OTHER INCOME

	Note	2012	2011
Gain on disposal of operating assets		12,681	35,704
Dividend	32.1	209,497	166,597
Mark-up and delayed payment charges	32.2	7,106,556	3,730,851
Penalties and other recoveries		150,371	144,055
Scrap sales		9,042	24,539
Others		62,434	41,964
		7,550,581	4,143,710

32.1 Represents dividends received from Pak-Arab Pipeline Company Limited and Pakistan Refinery Limted which are related parties.

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

33. FINANCE COSTS

	2012	2011
Mark-up on short-term borrowings	2,787,424	2,867,733
Other mark-up and bank charges	8,871,504	9,035,429
	11,658,928	11,903,162

34. TAXATION

	2012	2011
Current		
- for the year	5,088,478	4,414,335
- for prior years	(135,287)	(261,728)
Deferred - for the year	(334,829)	(957,487)
	4,618,362	3,195,120

34.1 Relationship between accounting profit and tax expense

	2012	2011
Accounting profit before taxation	13,674,417	17,974,434
Tax at the applicable tax rate of 35% (2011: 35%)	4,786,046	6,291,052
Tax effect of:		
- Lower rate applicable to certain income including share of associates	(56,469)	(549,137)
- Flood surcharge levied	-	239,460
- Adjustments relating to prior years	(135,287)	(261,728)
- Deferred tax asset	-	(908,116)
- Minimum tax	-	(1,641,688)
- Others	24,072	25,277
	4,618,362	3,195,120

(Amounts in Rs.'000)

35. EARNINGS PER SHARE

	2012	2011
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit for the year	9,056,055	14,779,314
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	171,518,901	171,518,901
	(Rupees)	
Earnings per share - basic and diluted	52.80	86.17

36. CASH GENERATED FROM OPERATIONS

	Note	2012	2011
Profit before taxation		13,674,417	17,974,434
Adjustments for:			
Depreciation		1,127,590	1,120,999
Amortisation		15,491	18,210
(Reversal of Provision) / provision against doubtful trade debts		(351,868)	223,838
Other receivables written-off		-	679
Retirement and other services benefits accrued		1,108,955	824,047
Gain on disposal of operating assets		(12,681)	(35,704)
Share of profit of associates		(469,468)	(516,752)
Dividend income		(209,497)	(166,597)
Finance costs		11,658,928	11,903,162
		12,867,450	13,371,882
Working capital changes	36.1	(40,067,350)	(25,729,207)
		(13,525,483)	5,617,109

36.1 Working capital changes

	2012	2011
(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	(19,092)	(1,476)
- Stock-in-trade	6,854,599	(36,779,725)
- Trade debts	(92,948,592)	(7,444,596)
- Loans and advances	(95,402)	(20,729)
- Deposits and short term prepayments	(1,501,025)	(660,003)
- Other receivables	1,398,112	(7,963,416)
Increase in current liabilities		
- Trade and other payables	46,244,050	27,140,738
	(40,067,350)	(25,729,207)

(Amounts in Rs.'000)

37. CASH AND CASH EQUIVALENTS

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

	Note	2012	2011
- Cash and bank balances	16	1,624,025	2,309,006
- Finances under mark-up arrangements	24	(19,740,166)	(21,840,045)
		(18,116,141)	(19,531,039)

38. OPERATING SEGMENTS

The financial statements have been prepared on the basis of a single reportable segment.

Sales from fuel products and others represent 99.91% (2011: 99.82%) of total revenue of the Company.

Out of total sales of the Company 99.52% (2011: 97.07%) relates to customers in Pakistan.

All non-current assets of the Company as at June 30, 2012 are located in Pakistan.

The Company sell its products to dealers, government agencies and autonomous bodies, independent power projects and other corporate customers. Sales to three major customers of the Company is around Rs. 353,973,044 during the year ended June 30, 2012 (2011: Rs. 291,266,766).

39. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet	2012	2011
Available for sale		
- Long-term investments	1,225,945	1,370,848
Loans and receivables		
- Long-term loans, advances and receivables	385,497	324,554
- Long-term deposits	58,929	57,184
- Trade debts	218,022,292	124,721,832
- Loans and advances	159,280	74,590
- Other receivables	14,633,807	19,455,228
- Cash and bank balances	1,624,025	2,309,006
	234,883,830	146,942,394
	236,109,775	148,313,242
Financial liabilities as per balance sheet		
Financial liabilities measured at amortised cost		
- Long-term deposits	1,176,078	1,023,531
- Trade and other payables	231,985,766	181,268,130
- Accrued interest / mark-up	544,485	432,133
- Short term borrowings	45,772,649	24,541,511
	279,478,978	207,265,305

39.1 Fair values of financial assets and liabilities

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investment in Pak Arab Pipeline Company Limited held at cost.

(b) Fair value estimation

The Company has adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This amendment requires fair value measurement disclosures using following three level air value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Company has no items to report in this level.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has only one investment carried at fair value amounting to Rs. 361,945 (2011: Rs. 506,848) which is valued under level 1 valuation method. There have been no movements in or out of the level 1 category during the year. The Company does not have any investment in level 2 or level 3 category.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial risk factors

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

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

(a) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

(Amounts in Rs.'000)

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company imports petroleum products (including chemicals) and is exposed to currency risk, primarily with respect to foreign creditors for purchase of oil denominated in US Dollars amounting to US$ 999,825 (2011: US$ 1,095,489) equivalent to Rs. 98,122,787 (2011: Rs. 94,174,044). The average rate applied during the year is Rs. 89.21 / US $ (2011: Rs. 85.56 /US $) and the spot rate as at June 30, 2012 was Rs.94.375 / US$ (2011: Rs.85.97 /US$).

As per central bank regulations, the Company cannot hedge its currency risk exposure. The Company has incurred exchange loss of Rs. 8,650,204 (2011: Rs 683,733) as stated in note 31.

At June 30, 2012, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit for the year would have been lower/higher by Rs. 3,188,991 (2011: Rs. 3,060,656), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade payables.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant fixed interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from long term deposits, bank deposit accounts, local creditors, short-term loans and running finance facilities of amounting to Rs. 138,842,188 (financial liabilities on a net basis) (2011: Rs 78,114,202). These are benchmarked to variable rates which expose the Company to cash flow interest rate risk only.

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

At June 30, 2012, if interest rates on Company's net financial liabilities had been 1% higher/lower with all other variables held constant, post tax profit for the year would have been lower/higher by Rs. 902,474 (2011: Rs. 507,742) mainly as a result of higher/lower interest exposure on variable rate financial instruments.

(iii) Equity price risk

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

(Amounts in Rs.'000)

At June 30, 2012, if equity prices of the listed equity investments of the Company would have been 10% higher/lower with all other variables held constant, other comprehensive income for the year would have been higher/lower by Rs.36,194 (2011: Rs.50,685).

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit rating. The maximum exposure to credit risk before any credit enhancement is equal to the carrying amount of financial assets as disclosed in note 39. Out of the total financial assets of Rs. 236,109,775 (2011: Rs. 148,313,242), the financial assets exposed to credit risk amount to Rs. 235,741,976 (2011: Rs. 146,317,628).

Significant concentration of credit risks on amounts due from Government agencies and autonomous bodies amounting to Rs. 61,654,064 (2011: Rs. 28,298,309). Credit risk on private sector other than retail sales is covered to the maximum possible extent through legally binding contracts. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers. Sales to dealers are settled in cash or using short term financial instruments. However, some of the Company's trade debts are secured by way of letters of credit and bank guarantees.

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

	2012	2011
Long term loans, advances and receivables	385,497	324,554
Long term deposits	58,929	57,184
Trade debts	123,337,093	106,839,216
Loans and advances	159,280	74,590
Other receivables	5,022,603	4,896,057
Bank balances	1,618,171	2,301,529
	130,581,573	114,493,130

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

(Amounts in Rs.'000)

Bank	Rating Agency	Rating Short term	Rating Long term
Allied Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
Bank AL Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Bank Islami Pakistan Limited	PACRA	A1	A
Citibank N.A.	S&P	A1	A+
Deutsche Bank AG	S&P	A1	A+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1	A
MCB Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A1 +	AA-
National Bank of Pakistan	JCR-VIS	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A1	A+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
The HSBC Bank Middle East Limited	Moody's	P1	A1
United Bank Limited	JCR-VIS	A1+	AA+

(c) Liquidity risk

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

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios and maintaining debt financing plans.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

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

	2012		
	Carrying amount/ contractual cash flow	Maturity up to one year	Maturity after one year
Financial liabilities			
Long-term deposits	1,176,078	-	1,176,078
Trade and other payables	231,985,766	231,985,766	-
Accrued interest / mark-up	544,485	544,485	-
Short term borrowings	26,032,483	26,032,483	-
Finances under mark-up arrangements	19,740,166	19,740,166	-
	279,478,978	278,302,900	1,176,078

(Amounts in Rs.'000)

	2011		
	Carrying amount / contractual cash flow	Maturity up to one year	Maturity after one year
Financial liabilities			
Long-term deposits	1,023,531	-	1,023,531
Trade and other payables	181,268,130	181,268,130	-
Accrued interest / mark-up	432,133	432,133	-
Short term borrowings	2,701,466	2,701,466	-
Finances under mark-up arrangements	21,840,045	21,840,045	-
	207,265,305	206,241,774	1,023,531

40.2 Capital risk management

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

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

During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2012 and 2011 were as follows:

	2012	2011
Total borrowings	45,772,649	24,541,511
Less: Cash and bank balances	(1,624,025)	(2,309,006)
Net debt	44,148,624	22,232,505
Total equity	49,959,908	41,902,985
Total capital	94,108,532	64,135,490
Gearing ratio	46.91%	34.66%

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

Consistent with other companies in the industry, the Company monitors the capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in balance sheet and plus net debt.

41. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, retirement benefit funds, state controlled entities, common directorship companies, Government of Pakistan and key management personnel.

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

Name of related party and relationship with the Company	Nature of transactions	2012	2011
Associates			
- Pak Grease Manufacturing Company	Purchases	94,586	112,002
(Private) Limited	Dividend received	6,176	8,921
- Asia Petroleum Limited	Income (facility charges)	183,504	188,829
	Rental income	6,793	5,973
	Dividend received	667,849	230,292
	Pipeline charges	1,858,337	1,888,288
	Other services	504	3,332
Retirement benefit funds			
- Pension Funds	Contributions	445,808	181,418
- Gratuity Fund	Contributions	345,230	310,224
- Provident Funds	Contributions	87,479	68,815
Other related parties			
- Pakistan Refinery Limited	Purchases	33,590,891	16,134,566
	Dividend received	9,450	-
- Pak Arab Pipeline Company Limited	Pipeline charges	3,752,418	3,493,038
	Dividend received	200,047	166,597
- Government of Pakistan	Dividend paid (including Rs. 115,517 adjusted against price differential claim)	192,528	500,572
- Benazir Employees' Stock Option Scheme	Dividend paid	26,173	34,130
Profit oriented state - controlled entities - various	Purchases	59,980,994	62,385,309
	Sales	393,931,669	215,303,179
	Transportation charges	10,623	449,920
	Utility charges	114,566	89,977
	Rental charges	64,502	53,331
	Insurance premium	1,868,801	750,493
	Dividend paid	134,283	354,388
Key management personnel	Remuneration including performance bonus	137,319	97,051
	Retirement benefits	28,986	15,642
	Housing and utilities	63,054	44,301
	Leave fare	10,987	8,404

Notes to the Financial Statements

For the year ended June 30, 2012

(Amounts in Rs.'000)

41.1 The related party status of outstanding receivables and payables as at June 30, 2012 are included in respective notes to the financial statements.

41.2 Contributions to staff retirement benefit funds are in accordance with the terms of the service rules. Remuneration of key management personnel are in accordance with the terms of the employment /appointment. Other transactions with the related parties are carried out at agreed terms.

42. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Management in their meeting held on August 09, 2012 proposed (i) final cash dividend of Rs. 2.5 per share amounting to Rs. 428,785 (2011: Rs. 2 per share amounting to Rs. 343,038), (ii) 20% bonus shares (34,303,780 shares) i.e. one share for every five ordinary shares held (2011: Nil) for approval of the members in the Annual General Meeting to be held on September 26, 2012.

43. GENERAL

The figures have been rounded off to nearest thousand Rupees unless otherwise stated.

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 9, 2012 by the Board of Management - Oil of the Company.

Naeem Yahya Mir	**Sohail Wajahat H. Siddiqui**
CEO & Managing Director	Chairman

Attendance at Board Meetings

For the year ended June 30, 2012

Names of Members of Board of Management	Total No. of Board meetings *	Number of Meetings attended
Mr. Sohail Wajahat H. Siddiqui	6	6
Mr. Naeem Yahya Mir	4	4
Mr. Muhammad Azam	5	4
Mr. Wazir Ali Khoja	6	3
Mr. Malik Naseem Hussain Lawbar	6	6
Mr. Hammayun Jogezai	6	5
Dr. Abid Qaiyum Suleri	6	5
Mr. Jehangir Ali Shah	2	2
Mr. Sabar Hussain	1	1
Mr. Osman Saifullah Khan	3	1
Mr. Shabbir Ahmed	5	2

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

Attendance at Board Committee Meetings

For the year ended June 30, 2012

Attendance at Board Finance & Audit Committee Meetings**

Names of Members	Total No. of Board meetings *	Number of Meetings attended
Dr. Abid Qaiyum Suleri	6	5
Mr. Muhammad Azam	5	4
Mr. Naeem Yahya Mir	4	3
Mr. Wazir Ali Khoja	5	3
Mr. Shabbir Ahmed*	2	1
Mr. Sabar Hussain*	1	1
Mr. Osman Saifullah Khan*	3	0

**Reconstituted as Board Audit Committee w.e.f. June 29, 2012

Attendance at Board Compliance Committee Meetings

Names of Members	Total No. of Board meetings *	Number of Meetings attended
Mr. Malik Naseem Hussain Lawbar	3	3
Mr. Sohail Wajahat H. Siddiqui	3	2
Mr. Naeem Yahya Mir	3	3
Mr. Muhammad Azam	3	3
Mr. Hammayun Jogezai	3	3
Mr. Jehangir Ali Shah*	2	2

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

Attendance at Board Committee Meetings

For the year ended June 30, 2012

Attendance at Board Enterprise Risk Management Committee Meetings**

Names of Members	Total No. of Board meetings *	Number of Meetings attended
Mr. Osman Saifullah Khan*	1	1
Mr. Sohail Wajahat H. Siddiqui	1	1
Mr. Naeem Yahya Mir	1	1
Mr. Muhammad Azam	1	1
Dr. Abid Qaiyum Suleri	1	1

**Reconstituted as Board Finance and Rish management Committee w.e.f. June 29, 2012

Attendance at Board H.R Committee Meetings

Names of Members	Total No. of Board meetings *	Number of Meetings attended
Mr. Sohail Wajahat H. Siddiqui	3	3
Mr. Naeem Yahya Mir	2	2
Mr. Malik Naseem Hussain Lawbar	4	4
Mr. Wazir Ali Khoja	4	2
Mr. Hammayun Jogezai	4	4
Mr. Jehangir Ali Shah*	2	2

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

Shareholders' Categories

as at June 30, 2012

	NO. OF SHARES HOLDERS	No. OF SHARES	%
Associated Companies, Undertakings and related Parties			
Government of Pakistan	1	38,505,565	22.45
GOP's Indirect Holding:- PSOCL Employee Empowerment Trust	1	5,250,759	3.06
NIT ICP			
National Investment Trust	2	97,967	0.06
NBP, Trustee Department	2	27,053,812	15.77
Investment Corporation of Pakistan	1	848,691	0.49
CEO, Directors and their Spouse and Minor Childern			
Naeem Yahya Mir	1	1	0.00
Public Sector Companies & Corporations Banks, DFIs NBFIs, Insurance Companies, Modarbas, Mutual Funds and other Orgnizations	354	68,531,065	39.96
Individuals	12061	20,061,894	11.70
Others	213	11,169,147	6.51
TOTAL	12,636	171,518,901	100.00

Shareholders' Categories

as at June 30, 2012

	NO. OF SHARES HOLDERS	No. OF SHARES	%
INDIVIDUALS	12062	20,061,894	11.70
INSURANCE COMPANIES	13	12,293,470	7.17
PUBLIC SECTOR COMPANIES	15	42,402,339	24.72
FINANCIAL INSTITUTION AND BANKS	44	9,148,443	5.33
MODARABA COMPANIES & MUTUAL FUNDS	75	31,375,941	18.29
FEDERAL GOVERNMENT	1	38,505,565	22.45
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	1	2	0.00
FOREIGN INVESTORS	212	6,562,100	3.83
OTHERS	213	11,169,147	6.51
TOTALS	12636	171,518,901	100.00

Pattern of Shareholdings

as at June 30, 2012

No. of Shareholders	Having Shares From	Having Shares To	Shares Held	Percentage
4802	1	100	138118	0.0805
2925	101	500	804840	0.4692
1584	501	1000	1228742	0.7164
2291	1001	5000	5214061	3.0399
479	5001	10000	3415698	1.9914
163	10001	15000	2049273	1.1948
112	15001	20000	2013706	1.1740
45	20001	25000	1017717	0.5934
25	25001	30000	697247	0.4065
19	30001	35000	613921	0.3579
14	35001	40000	526957	0.3072
15	40001	45000	633107	0.3691
9	45001	50000	430188	0.2508
13	50001	55000	690013	0.4023
7	55001	60000	407261	0.2374
10	60001	65000	631775	0.3683
9	65001	70000	612917	0.3573
4	70001	75000	291128	0.1697
1	75001	80000	79427	0.0463
1	80001	85000	85000	0.0496
7	85001	90000	613608	0.3577
2	90001	95000	181826	0.1060
8	95001	100000	798706	0.4657
1	100001	105000	102310	0.0596
1	105001	110000	107800	0.0628
1	110001	115000	115000	0.0670
4	115001	120000	474452	0.2766
1	120001	125000	125000	0.0729
3	130001	135000	398352	0.2322
3	135001	140000	410732	0.2395
3	145001	150000	449650	0.2622
1	150001	155000	153428	0.0895
5	155001	160000	789388	0.4602

Pattern of Shareholdings

as at June 30, 2012

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
3	160001	165000	489505	0.2854
1	165001	170000	167489	0.0976
1	170001	175000	171474	0.1000
1	175001	180000	178565	0.1041
1	190001	195000	191697	0.1118
3	195001	200000	597816	0.3485
1	200001	205000	204500	0.1192
1	205001	210000	205578	0.1199
1	210001	215000	211000	0.1230
1	215001	220000	215080	0.1254
4	220001	225000	893752	0.5211
2	225001	230000	456158	0.2660
3	235001	240000	706120	0.4117
1	240001	245000	240891	0.1404
1	245001	250000	250000	0.1458
1	250001	255000	251600	0.1467
1	270001	275000	273000	0.1592
1	280001	285000	283700	0.1654
3	295001	300000	896091	0.5224
3	305001	310000	924504	0.5390
1	320001	325000	323900	0.1888
1	360001	365000	364500	0.2125
1	380001	385000	381702	0.2225
1	400001	405000	400364	0.2334
1	440001	445000	441411	0.2574
1	455001	460000	459543	0.2679
1	510001	515000	512000	0.2985
1	555001	560000	559900	0.3264
1	605001	610000	605202	0.3528
1	610001	615000	610767	0.3561
1	620001	625000	624480	0.3641
1	665001	670000	669185	0.3902
1	685001	690000	688383	0.4013

Pattern of Shareholdings
as at June 30, 2012

No. of Shareholders	Having Shares From	Having Shares To	Shares Held	Percentage
1	690001	695000	692627	0.4038
1	755001	760000	755400	0.4404
1	805001	810000	805781	0.4698
1	845001	850000	848691	0.4948
1	850001	855000	851122	0.4962
1	855001	860000	856000	0.4991
1	925001	930000	930000	0.5422
1	1185001	1190000	1185041	0.6909
1	1350001	1355000	1351971	0.7882
1	1470001	1475000	1474000	0.8594
1	1490001	1495000	1492214	0.8700
1	1675001	1680000	1675480	0.9768
1	2885001	2890000	2886827	1.6831
1	3735001	3740000	3738731	2.1798
1	5220001	5225000	5223711	3.0456
1	9810001	9815000	9813261	5.7214
1	9995001	10000000	9997584	5.8289
1	10810001	10815000	10812071	6.3037
1	10975001	10980000	10975800	6.3992
1	25865001	25870000	25868771	15.0822
1	38530001	38535000	38532613	22.4655
12636		**Company Total**	**171518901**	**100.000**

Pakistan State Oil Company Limited

Thirty- Sixth Annual General Meeting 2012

FORM OF PROXY ____________________

I/We ____________________

of ____________________

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

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

____

Sub Account No. ____________________

hereby appoint ____________________

of ____________________

or failing him ____________________

of ____________________

who is also a member of PAKISTAN STATE OIL COMPANY LIMITED vide Registered Folio

No. /CDC ____________________

Participant's ID and Account No. ____________________

As my/our proxy to vote for me/us and on my/our behalf at the Thirty-Six Annual General Meeting of the Company to be held on Wednesday, September 26, 2012 and at any adjournment thereof.

Signed by me/us this __________ day of __________ 2012.

Signed by the said ____________________

Important:

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

A proxy should also be a Shareholder of the Company.

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for Office use

Five Rupees

Revenue Stamps