

## **ATTOCK PETROLEUM LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

#### **1. LEGAL STATUS AND OPERATIONS**

Attock Petroleum Limited (Company) was incorporated in Pakistan as a public limited company on December 3, 1995 and it commenced its operations in 1998. The Company was listed on Karachi Stock Exchange on March 7, 2005. The registered office of the Company is situated at 6, Faisal Avenue, F-7/1, Islamabad, Pakistan. The Company is domiciled in Islamabad. The principal activity of the Company is procurement, storage and marketing of petroleum and related products. Pharaon Investment Group Limited Holding s.a.l (formerly Pharaon Commercial Investment Group Limited) holds 34.38% (2006: 34.38%) shares of the Company.

#### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the related provisions of the Companies Ordinance, 1984 (the Ordinance). Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of the aforesaid accounting standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

#### **3. BASIS OF PREPARATION**

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

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 32 to these financial statements.

#### **Amendments to the published IFRS and new interpretations effective for accounting periods beginning on or after January 1, 2006:**

IAS 19 (Amendment) – Employee Benefits is mandatory for the Company's accounting periods beginning on or after January 1, 2006. This amendment introduces the option of an alternate recognition approach for actuarial gains and losses and requires new disclosures. As the Company does not intend to change its accounting policy adopted for the recognition of actuarial gains and losses, the adoption of this amendment only impacts the format and extent of disclosures as given in note 28 to these financial statements.

**Amendments to published IFRS and interpretations effective for accounting periods beginning on or after January 1, 2006 but not relevant:**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2006 are not considered to be relevant or do not have any significant effect on the Company's financial statements.

**IFRS and interpretations not yet effective but relevant:**

The following accounting standards and amendments to existing accounting standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2006 but have not been notified as yet by SECP:

- i) IAS 1 Presentation of Financial Statements - Capital Disclosures
- ii) IFRS 7 - Financial Instruments: Disclosures
- iii) IAS 39 and IFRS 4 - Amendment for Financial - Guarantee Contracts

Adoption of the above accounting standards is not considered to have any significant effect on the Company's financial statements.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Staff retirement benefits**

The Company operates following staff retirement benefit funds.

- i) Approved defined benefit funded pension plan for all eligible employees. Actuarial valuation is conducted periodically using the "Projected Unit Credit Method" and the latest valuation was carried out as at June 30, 2007. The details of the valuation are given in note 28. Net actuarial gains and losses are recognised over the expected remaining service life of the employees.
- ii) Approved contributory provident fund for all employees for which contributions of Rs. 1,692 thousand (2006: Rs 1,374 thousand) are charged to income for the year.

## **4.2 Taxation**

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

Deferred income tax is accounted for using liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates that have been enacted. Deferred tax is charged or credited to income except in the case of items credited or charged to equity in which case it is included in equity.

## **4.3 Provisions**

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

## **4.4 Trade and other payables**

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

## **4.5 Property, plant, equipment and capital work in progress**

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

Depreciation is charged to income on the straight line method to write off the cost of an asset over its estimated useful life at the rates specified in note 11. Full year's depreciation is charged on additions during the year, while no depreciation is charged on assets deleted during the year.

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

## **4.6 Investments**

### **4.6.1 Investments in associated companies**

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

#### **4.6.2 Short term investments**

Short term investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments is determined on the basis of prevailing market prices.

#### **4.7 Impairment**

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

#### **4.8 Stores and spares**

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

#### **4.9 Stock in trade**

Stock in trade is valued at the lower of cost, calculated on a first-in first-out basis, and net realisable value. Charges such as excise duty and similar levies incurred on unsold stock of products are added to the value of the stock and carried forward.

Net realisable value signifies the sale price in the ordinary course of business less costs necessary to make the sale.

#### **4.10 Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice amount less provision for any uncollectible amounts.

#### **4.11 Revenue recognition**

Sales are recorded on dispatch of goods to customers.

Commission and handling income is recognised on shipment of products.

Income on bank deposits is recognised on time proportion basis using the effective yield method.

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

Gains or losses resulting from remeasurement of investments at fair value through profit or loss are recognised in the profit and loss account.

#### **4.12 Dividend distribution**

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

#### **4.13 Foreign currency transactions**

Transactions in foreign currencies are converted into Rupees at the rates of exchange ruling on the date of the transaction. All assets and liabilities in foreign currencies are translated at exchange rate prevailing at the balance sheet date. Exchange gains and losses are taken to income.

#### **4.14 Financial assets and liabilities**

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

#### **4.15 Offsetting**

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

#### **4.16 Cash and cash equivalents**

For the purpose of cash flow statement , cash and cash equivalents comprise cash in hand, bank balances and highly liquid short term investments.

#### **4.17 Functional and presentation currency**

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

2007  
2006  
Rupees ('000)

**5. SHARE CAPITAL**

**AUTHORISED CAPITAL**

75,000,000 ordinary shares of Rs 10 each  
(2006: 75,000,000 ordinary shares of Rs 10 each)

<u>750,000</u>	<u>750,000</u>
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**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

Shares issued for cash

5,000,000 ordinary shares of Rs 10 each  
(2006: 5,000,000 ordinary shares of Rs 10 each)

50,000	50,000
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Shares issued as fully paid bonus shares  
35,000,000 (2006: 35,000,000) ordinary shares

350,000	350,000
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40,000,000 (2006: 40,000,000) ordinary shares of Rs 10 each

<u>400,000</u>	<u>400,000</u>
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**6. SPECIAL RESERVE**

This represents the Company's share of amount set aside as a special reserve by National Refinery Limited, as a result of the directive of the Government to divert net profit after tax (if any) from refinery operations above 50 percent of paid-up capital as at July 1, 2002 to offset against any future loss or to make investment for expansion or up gradation of refineries. The amount transferred to special reserve is not available for distribution to the shareholders.

**7. LONG TERM DEPOSITS**

These represent interest free security deposits received from distributors, retailers and contractors and are refundable on cancellation of respective contracts or termination of related services.

2007  
2006  
Rupees ('000)

**8. DEFERRED TAX LIABILITY**

Deferred tax liability arising due to accelerated tax depreciation  
Deferred tax asset arising in respect of certain provisions

41,000	41,600
<u>(28,000)</u>	<u>(12,600)</u>
<u>13,000</u>	<u>29,000</u>

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**IFRS and interpretations not yet effective but relevant:**

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- i) IAS 1 - Presentation of Financial Statements - Capital Disclosures (disclosures relating to objectives, policies and processes for managing capital).
- ii) IFRS 7 - Financial Instruments: Disclosures

Adoption of the above accounting standards is not considered to have any significant effect on the Company's financial statements.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Staff retirement benefits**

The Company operates following staff retirement benefit funds.

- i) Approved defined benefit funded pension plan for all eligible employees. Actuarial valuation is conducted periodically using the "Projected Unit Credit Method" and the latest valuation was carried out as at June 30, 2007. The details of the valuation are given in note 28. Net actuarial gains and losses are recognised over the expected remaining service life of the employees.
- ii) Approved contributory provident fund for all employees for which contributions of Rs. 1,692 thousand (2006: Rs 1,374 thousand) are charged to income for the year.

2007  
2006  
Rupees ('000)

**9. TRADE AND OTHER PAYABLES**

Creditors	66,519	42,163
Due to related parties - unsecured - note 9.1	3,922,563	3,255,656
Accrued liabilities	426,657	362,556
Advance from customers	866,481	379,107
Retention money	10,756	16,988
Unclaimed dividend	2,638	1,943
Staff pension fund - note 28	569	-
	<u>5,296,183</u>	<u>4,058,413</u>

**9.1 Due to related parties:**

National Refinery Limited	2,829,940	2,082,095
Attock Refinery Limited	1,080,679	1,168,588
Pakistan Oilfields Limited	8,836	3,741
The Attock Oil Company	1,680	1,019
Attock Cement Pakistan Limited	1,369	192
Attock Hospital (Private) Limited	59	-
Attock Sahara Foundation	-	21
	<u>3,922,563</u>	<u>3,255,656</u>

**10. CONTINGENCIES AND COMMITMENTS**

(i) Claims of Government levies not accepted by the Company and currently under appeal	23,064	25,874
(ii) Corporate guarantees issued by the Company to the Collector Sales Tax and Federal Excise, Islamabad	1,116,091	-
(iii) Capital expenditure commitments	123,250	35,647

**11. PROPERTY, PLANT AND EQUIPMENT**

	C o s t			D e p r e c i a t i o n			Written down value at June 30 2007	Written down value at June 30 2006	Annual rate of depreciation %
	At July 1, 2006	Additions/ (deletions)	At June 30, 2007	At July 1, 2006	Charge for the year/ (on deletions)	At June 30, 2007			
	-----Rupees ('000)-----								
Freehold land	192,044	-	192,044	-	-	-	192,044	192,044	-
Buildings on:									
- Freehold land	8,685	-	8,685	426	434	860	7,825	8,259	5
- Leasehold land	41,741	597	42,338	6,053	2,073	8,126	34,212	35,688	5
Pipelines, pumps, tanks and meters	202,890	29,918	232,808	55,542	23,033	78,575	154,233	147,348	10
Equipment - signage	119,742	24,481 (358)	143,865	57,319	26,580 (143)	83,756	60,109	62,423	20
Electrical and fire fighting equipment	24,690	1,407 (138)	25,959	7,463	2,289 (14)	9,738	16,221	17,227	10
Furniture, fixture and equipment	7,969	1,733 (41)	9,661	2,201	966 (8)	3,159	6,502	5,768	10
Computer and auxiliary equipment	7,309	2,568 (226)	9,651	4,616	1,350 (209)	5,757	3,894	2,693	20
Motor vehicles	37,244	4,124 (162)	41,206	18,469	6,703 (32)	25,140	16,066	18,775	20
Total Rupees	642,314	64,828 (925)	706,217	152,089	63,428 (406)	215,111	491,106	490,225	
2006 Rupees	401,355	245,544 (4,585)	642,314	98,382	55,785 (2,078)	152,089	490,225		

**11.1** Cost of assets held by a large number of dealers of retail outlets of the Company are as follows:

	2007	2006
	Rupees ('000)	
Pipelines, pumps, tanks and meters	36,642	19,199
Equipment - signage	133,308	109,747

Due to large number of dealers it is impracticable to disclose the name of each person having possession of these assets, as required under para 10 of Part 1 of the 4th Schedule to the Companies Ordinance 1984.

**11.2** The details of property, plant and equipment disposed off during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sales Proceeds	Mode of disposals	Particulars of Purchaser
	-----Rupees ('000)-----					
Equipment - signage	358	143	215	464	Insurance Claim	EFU General Insurance Ltd
Electrical and fire fighting equipment	138	14	124	140	Insurance Claim	EFU General Insurance Ltd
Furniture, fixture and equipment	41	8	33	33	Insurance Claim	EFU General Insurance Ltd
Computer and auxiliary equipment	226	209	17	20	Trade In	Mind Share Computers
Motor vehicles	162	32	130	159	Insurance Claim	EFU General Insurance Ltd

	2007	2006
	Rupees ('000)	
<b>12. CAPITAL WORK IN PROGRESS</b>		
Pumps, tanks and equipment	93,439	28,325
Advances to contractors	16,781	2,398
	<u>110,220</u>	<u>30,723</u>
<b>13. LONG TERM INVESTMENTS IN ASSOCIATED COMPANIES</b>		
Balance at beginning of the year	353,257	4,454
Investment in associated companies during the year	-	321,865
Share of profit for the year	42,319	34,268
Dividend received during the year	(8,330)	(7,330)
Balance at end of the year	<u>387,246</u>	<u>353,257</u>

**13.1** The Company's interest in associates companies is as follows:

National Refinery Limited - Quoted (666,388 fully paid ordinary shares of Rs 10 each Cost Rs 321,865 thousand (2006: Rs 321,865 thousand) Quoted market value as at June 30, 2007: Rs 227,238 thousand (2006: Rs. 177,926 thousand))	382,330	348,633
Attock Information Technology Services (Private) Limited - Unquoted Cost Rs 4,500 thousand (2006: Rs 4,500 thousand) (450,000 fully paid ordinary shares of Rs 10 each)	4,916	4,624
	<u>387,246</u>	<u>353,257</u>

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

	Assets	Liabilities	Revenues	Profits	Holding
	-----Rupees ('000)-----				(%)
<u>2006</u>					
National Refinery Limited	249,225	155,458	808,940	34,098	1
Attock Information Technology Services (Private) Limited	4,906	282	1,037	170	10
	<u>254,131</u>	<u>155,740</u>	<u>809,977</u>	<u>34,268</u>	
<u>2007</u>					
National Refinery Limited	326,416	198,952	913,265	42,027	1
Attock Information Technology Services (Private) Limited	5,254	338	1,364	292	10
	<u>331,670</u>	<u>199,290</u>	<u>914,629</u>	<u>42,319</u>	

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

**13.4** Based on a valuation analysis carried out by an external investment advisor engaged by the Company, the recoverable amount of investment in National Refinery Limited exceeds its carrying amount. The recoverable amount has been estimated based on a value in use calculation. These calculations have been made on discounted cash flow based valuation methodology which assumes gross profit margin of 6.40% (2006: 6.30%), terminal growth rate of 5% (2006: 5%) and capital asset pricing model based discount rate of 14.30% (2006:13.40%).

	2007	2006
	Rupees ('000)	
<b>14. STOCK IN TRADE</b>		
Petroleum products	338,910	72,371
Packing material	2,792	1,849
	<u>341,702</u>	<u>74,220</u>

	2007	2006
	Rupees ('000)	
<b>15. TRADE DEBTS</b>		
Considered good		
Secured	2,089,864	1,818,351
Unsecured	407,453	663,335
Due from related parties - (unsecured) - note 15.1	5,681	20,790
	2,502,998	2,502,476
Unsecured- considered doubtful	31,000	16,000
Provision for doubtful debts	(31,000)	(16,000)
	-	-
	<u>2,502,998</u>	<u>2,502,476</u>
<b>15.1 Due from related parties</b>		
Pakistan Oilfields Limited (POL)	3,153	18,694
Attock Cement Pakistan Limited (ACPL)	2,441	1,685
Attock Refinery Limited (ARL)	87	411
	<u>5,681</u>	<u>20,790</u>
<p>The aggregate maximum amount due from POL, ACPL and ARL at the end of any month during the year was Rs 34,497 thousands (2006: Rs 32,814 thousands), Rs 5,814 thousands (2006: Rs 13,577 thousands) and Rs 516 thousands (2006: Rs 421 thousands) respectively.</p>		
<b>16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advances - considered good		
Suppliers	37,934	34,794
Employees against expenses	425	248
	38,359	35,042
Trade deposits and short-term prepayments		
Trade deposits	2,581	1,052
Short-term prepayments	2,402	2,492
	4,983	3,544
Current account balances with statutory authorities in respect of:		
Sales tax	415,627	413,757
Federal excise duty and petroleum development levy	17,788	15,442
	433,415	429,199
Accrued income		
Income on bank deposits	37,536	17,829
Commission and handling income	50,899	-
	88,435	17,829
Other receivables		
Price differential claim receivable from the Government	288,616	334,247
Receivable from oil marketing companies under freight pool	11,831	17,064
Claims receivable-net of provision of Rs. 9,552 thousand (2006: nil)	4,882	12,167
Due from related party - unsecured		
Attock Information Technology Services (Private) Limited (AITSL)- note 16.1	2,034	1,273
Workers' profit participation fund - note 16.2	5,599	19,017
Others	344	107
	313,306	383,875
	<u>878,498</u>	<u>869,489</u>

**16.1** The aggregate maximum amount due from AITSL at the end of any month during the year was Rs 2,034 thousand (2006: Rs 1,273 thousand)



	2007	2006
	Rupees ('000)	
<b>20. COST OF PRODUCTS SOLD</b>		
Opening stock	74,220	110,076
Purchase of petroleum products and packing material	40,126,392	36,906,751
Excise duty	1,876,545	1,716,094
Development levy	350,110	368,743
	42,353,047	38,991,588
Closing stock	(341,702)	(74,220)
	<u>42,085,565</u>	<u>39,027,444</u>
<b>21. OTHER OPERATING INCOME</b>		
Commission and handling income	378,420	305,202
Tender and joining fee	3,407	5,761
Exchange gain	9,389	2,462
Gain on sale of property, plant and equipment	296	364
Other income	14,706	9,672
	<u>406,218</u>	<u>323,461</u>
<b>22. OPERATING EXPENSES</b>		
Salaries and benefits	88,652	68,443
Rent, taxes and other fees	18,574	15,250
Traveling and staff transport expenses	15,077	14,795
Repairs and maintenance	19,068	9,092
Donation	-	5,000
Advertising and publicity	2,889	4,759
Printing and stationery expenses	5,438	4,478
Electricity, gas and water	7,006	3,430
Insurance	6,024	3,388
Communication expenses	4,982	3,112
Legal and professional charges	3,008	2,703
Property, plant and equipment written off	-	2,204
Subscription and fees	1,814	1,742
Transportation expenses	524	1,005
Auditors' remuneration -note 22.1	783	786
Bank charges	13,568	21,625
Depreciation	63,428	55,785
Provision for doubtful debts and other receivables	24,552	16,000
Other expenses	7,861	7,588
	<u>283,248</u>	<u>241,185</u>

	2007	2006
	Rupees ('000)	
<b>22.1 Auditor's remuneration</b>		
Statutory audit	322	293
Review of half yearly financial statements, audit of staff funds and special certifications	373	400
Out of pocket expenses	88	93
	<u>783</u>	<u>786</u>
<b>23. INCOME ON BANK DEPOSITS AND INVESTMENTS</b>		
Income on bank deposits	349,722	118,190
Gain on re-measurement of short term investments	2,025	-
	<u>351,747</u>	<u>118,190</u>
<b>24. SHARE OF PROFIT OF ASSOCIATED COMPANIES</b>		
Share of profit of associated companies is based on the audited financial statements of the associated companies for the year ended June 30, 2007.		
	2007	2006
	Rupees ('000)	
<b>25. PROVISION FOR TAXATION</b>		
For the year - Current	723,000	538,000
- Deferred	<u>(16,000)</u>	<u>15,000</u>
	<u>707,000</u>	<u>553,000</u>
<b>25.1 Reconciliation of tax charge for the year</b>		
	%	%
Applicable tax rate	35.00	35.00
Tax effect of export sales which are taxable @ 1% of sales	(5.38)	(6.02)
Tax effect of amounts that are not deductible for tax purposes	-	0.01
Tax effect of income exempt from tax	(0.03)	-
Tax effect of profit of associated companies taxed on the basis of divided income	(0.59)	(0.60)
Others	0.03	0.03
Average effective tax rate charged to income	<u>29.03</u>	<u>28.42</u>
<b>26. BASIC EARNINGS PER SHARE</b>		
Profit after tax (Rupees in thousand)	<u>1,728,606</u>	<u>1,392,606</u>
Weighted average number of ordinary shares in issue during the year (in thousand)	<u>40,000</u>	<u>40,000</u>
Basic earnings per share (Rupees)	<u>43.22</u>	<u>34.82</u>

## 27. FINANCIAL INSTRUMENTS

### 27.1 Financial assets and liabilities

	2007			2006		
	Interest/mark-up bearing	Non-interest/mark-up bearing	Total	Interest/mark-up bearing	Non-interest/mark-up bearing	Total
	-----Rupees ('000)-----					
<b>FINANCIAL ASSETS</b>						
Maturity upto one year						
Trade debts	-	2,502,998	2,502,998	-	2,502,476	2,502,476
Advances, deposits and other receivables	-	837,737	837,737	-	831,955	831,955
Short term investments	-	202,025	202,025	-	-	-
Cash and bank balances - note 18						
Foreign currency - US \$	6,612	-	6,612	6,375	-	6,375
Local currency	4,056,938	3,259	4,060,197	2,273,405	1,124	2,274,529
Maturity after one year						
Investments in associated companies	-	387,246	387,246	-	353,257	353,257
	<u>4,063,550</u>	<u>3,933,265</u>	<u>7,996,815</u>	<u>2,279,780</u>	<u>3,688,812</u>	<u>5,968,592</u>
<b>FINANCIAL LIABILITIES</b>						
Maturity upto one year						
Trade and other payables	-	4,429,702	4,429,702	-	3,679,306	3,679,306
Maturity after one year						
Long term deposits	-	113,821	113,821	-	100,638	100,638
	<u>-</u>	<u>4,543,523</u>	<u>4,543,523</u>	<u>-</u>	<u>3,779,944</u>	<u>3,779,944</u>
<b>OFF BALANCE SHEET ITEMS</b>						
Commitments - note 10	-	123,250	123,250	-	35,647	35,647

### 27.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts, investments and balances at banks. Credit sales are against letters of credit/bank drafts/agreements and to other Oil Marketing Companies or reputable organizations. The credit risk on investments and bank balances is limited because the counter parties are companies/banks with reasonably high credit ratings.

### 27.3 Foreign currency risk

Financial assets of Rs 304,200 thousand (2006: Rs 460,970 thousand) and financial liabilities of Rs 442,694 thousand (2006: Rs 70,790 thousand) were in foreign currency and subject to foreign exchange risk.

### 27.4 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair value except for investments in associated companies which are stated under equity method.

## 28. STAFF RETIREMENT BENEFITS

The details of actuarial valuation of defined benefit funded pension plan carried out as at June 30, 2007 are as follows:

	2007	2006
	Rupees ('000)	
28.1 The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	14,725	8,772
Fair value of plan assets	(12,776)	(9,042)
Net actuarial losses not recognized	<u>(1,380)</u>	<u>270</u>
Net liability	<u>569</u>	<u>-</u>
28.2 The amounts recognised in profit and loss account are as follows:		
Current service cost	2,999	2,487
Interest cost	877	571
Expected return on plan assets	<u>(551)</u>	<u>(373)</u>
	<u>3,325</u>	<u>2,685</u>
28.3 Actual return on plan assets	<u>978</u>	<u>373</u>

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

	2007	2006
	Rupees ('000)	
28.4 Changes in the present value of defined benefit obligation:		
Opening defined benefit obligation	8,772	5,714
Current service cost	2,999	2,487
Interest cost	877	571
Actuarial loss	2,077	-
Benefits paid	-	-
Closing defined benefit obligations	<u>14,725</u>	<u>8,772</u>
28.5 Changes in fair value of plan assets:		
Opening fair value of plan assets	9,042	6,110
Expected return	551	373
Actuarial gain	426	-
Contributions by employer	2,757	2,559
Benefits paid	-	-
Closing fair value of plan assets	<u>12,776</u>	<u>9,042</u>

The Company expects to contribute Rs 3,619 thousands to its defined benefit pension plan during 2008.

	2007		2006	
	Rupees ('000)	%age	Rupees ('000)	%age
28.6 Break-up of category of assets:				
Bonds	11,539	90.32	8,391	92.8
Cash and net current assets	1,237	9.68	651	7.2
	<u>12,776</u>	<u>100</u>	<u>9,042</u>	<u>100</u>

28.7 Principal actuarial assumptions:

The "Projected Unit Credit Method" using the following significant assumptions was used for the valuation of the scheme:

	2007	2006
Valuation discount rate - per annum	10%	10%
Expected rate of increase in salaries - per annum	10%	10%
Expected rate of return on plan assets- per annum	10%	6.1%
Pension indexation rate - per annum	0%	0%

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

	2007	2006	2005	2004	Rupees ('000) 2003
As at June 30,					
Defined benefit obligation	14,725	8,772	5,714	4,417	2,965
Plan assets	(12,776)	(9,042)	(6,110)	(4,145)	(2,937)
Deficit/(Surplus)	<u>1,949</u>	<u>(270)</u>	<u>(396)</u>	<u>272</u>	<u>28</u>
Experience adjustments on plan liabilities	<u>(2,077)</u>	<u>-</u>	<u>304</u>	<u>103</u>	<u>(143)</u>
Experience adjustments on plan assets	<u>426</u>	<u>-</u>	<u>103</u>	<u>20</u>	<u>(30)</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

Aggregate transactions with related parties, other than remuneration to the chief executive, directors and executives of the Company under their terms of employment disclosed in note-30, were as follows:

	2007	2006
	Rupees ('000)	
<b>Associated companies</b>		
<b>Attock Refinery Limited</b>		
Purchase of petroleum products	12,708,356	15,244,796
Purchase of services	5,924	6,857
Sale of petroleum products	2,223	1,024
Handling income	165,657	177,006
Sale of services	469	509
<b>National Refinery Limited</b>		
Purchase of petroleum products	24,958,805	19,357,587
Purchase of services	17,085	19,270
Sale of petroleum products	1,343	910
Handling income	161,864	128,196
Sale of services	-	259
<b>Pakistan Oilfield Limited</b>		
Purchase of petroleum products	147,733	93,435
Purchase of services	4,468	3,908
Sale of petroleum products	359,954	402,752
Sale of services	580	2,213
<b>Attock Oil Company Limited</b>		
Purchase of petroleum products	6,728	35,775
Purchase of services	15,683	20,847
<b>Attock Cement Pakistan Limited</b>		
Purchase of services	2,369	3,159
Sale of petroleum products	67,871	60,633
<b>Attock Information Technology Services (Private) Limited</b>		
Sale of services	1,115	1,364
<b>Attock Hospital (Private) Limited</b>		
Purchase of medical services	523	-
<b>Attock Sahara Foundation</b>		
Purchase of goods	-	58

The prices for purchase and sale of regulated products are based on prices notified by the Government. The prices for purchase of other products are based on market prices or at discounted prices determined in relation to the quantity purchased and the distribution margin for the regulated products. Commission and handling income is based on commercially negotiated terms. Purchase and sale of services are based on allocated cost.

**30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	-----Rupees ('000)-----					
Managerial remuneration	6,955	7,267	1,399	1,343	6,683	4,213
Commission / bonus	3,930	3,909	943	1,034	1,044	961
Company's contribution to provident and pension funds	884	893	221	194	1,542	914
Housing and utilities	1,971	1,992	479	432	2,852	1,842
Leave passage	420	420	92	92	497	377
	<u>14,160</u>	<u>14,481</u>	<u>3,134</u>	<u>3,095</u>	<u>12,618</u>	<u>8,307</u>
No. of person(s)	1	1	1	2	7	5

**30.1** The above includes amounts charged by an associated company for share of chief executive's and one director's remuneration as approved by the Board of Directors of the Company. Executives were also provided with use of Company maintained cars and medical facilities as per Company policy.

**31. NUMBER OF EMPLOYEES**

Total number of employees at the end of the year were 117 (2006: 98).

**32. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

- i) Estimate of recoverable amount of investments in associated companies - note 13;
- ii) Provision for doubtful debts and other receivables - notes 15 and 16;
- iii) Provision for taxation - note 25; and
- iv) Staff retirement benefits - note 28.

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

The Board of Directors in their meeting held on August 17, 2007 have proposed a final dividend for the year ended June 30, 2007 @ Rs 14 per share, amounting to Rs 560,000 thousand and bonus issue @ one share for every five shares held for approval of the members in the Annual General Meeting to be held on September 28, 2007.

**34. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the Company on August 17, 2007.

S/d-  
Chief Executive

S/d-  
Director