Financial Statements and Independent Auditors' Report

Hascol Petroleum Limited

For the year ended December 31, 2011

Grant Thornton

Anjum Asim Shahid Rahman
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Hascol Petroleum Limited** (the Company) as at December 31, 2011 and the related profit and loss account, statement of comprehensive income, statement of cash flows 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 statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes forming part thereof 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 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, statement of cash flows 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 December 31, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no zakat was deductible at source under the zakat and ushr Ordinance, 1980 (XVIII of 1980).

Anjum Asim Shahid Rahman

Karachi
Date: April 09, 2012

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

HASCOL PETROLEUM LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2011

	Note	2011	2010
ASSETS		Rupees in '000	
Non-current assets			
Property, plant and equipment	4	**876,999**	781,621
Long-term investments	5	**-**	12,029
Long-term deposits	6	**50,847**	68,179
Deferred taxation - net	7	**286,591**	154,257
Total non-current assets		**1,214,437**	1,016,086
Current assets			
Stock-in-trade	8	**311,262**	575,692
Trade debts	9	**533,036**	121,989
Advances	10	**72,350**	61,314
Short term deposits and prepayments	11	**20,791**	77,080
Other receivables	12	**28,733**	8,232
Sales tax receivable		**60,462**	94,685
Cash and bank balance	13	**109,398**	27,381
Total current assets		**1,136,032**	966,373
Total assets		**2,350,469**	1,982,459
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**656,000**	410,000
Share premium		**3,300**	3,300
Accumulated loss		**(218,838)**	(301,912)
		440,462	111,388
Surplus on revaluation of fixed assets - net of tax	15	**19,166**	20,634
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance lease	16	**129,262**	233,422
Long term deposits	17	**64,272**	59,623
Deferred liability - gratuity	18	**11,456**	8,511
Total non-current liabilities		**204,990**	301,556
Current liabilities			
Trade and other payables	19	**1,093,512**	843,438
Mark-up accrued	20	**13,270**	12,870
Short term running finances - secured	21	**313,391**	512,186
Current maturity of liabilities against assets subject to finance lease	16	**116,696**	105,784
Taxation - net		**148,982**	74,603
Total current liabilities		**1,685,851**	1,548,881
Total liabilities		**1,890,841**	1,850,437
Total Equity and Liabilities		**2,350,469**	1,982,459
Contingencies and commitments	22		

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

Chief Executive **Director**

HASCOL PETROLEUM LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		Rupees in '000	
Sales	23	**19,583,772**	9,202,162
Sales tax		**(2,513,430)**	(1,282,382)
Net Sales		**17,070,342**	7,919,780
Other revenue	24	**23,361**	27,587
Net revenue		**17,093,703**	7,947,367
Cost of sales	25	**(16,394,426)**	(7,738,362)
Gross profit		**699,277**	209,005
Operating Expenses			
Distribution	26	**(331,418)**	(218,671)
Administrative	27	**(134,670)**	(136,278)
		(466,088)	(354,949)
Other operating income	28	**23,613**	27,038
Operating profit/ (loss) for the year		**256,802**	(118,906)
Finance cost	29	**(201,696)**	(160,074)
Impairment on long term investment		**(12,029)**	(3,357)
Profit/ (Loss) before taxation		**43,077**	(282,337)
Taxation	30	**38,529**	7,683
Profit/ (Loss) for the year		**81,606**	(274,654)
		Rupees	
Earnings/ (Loss) per share - basic and diluted	31	**1.94**	(6.70)

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

Chief Executive

Director

HASCOL PETROLEUM LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**474,081**	52,128
Finance cost paid		**(201,296)**	(52,167)
Taxes paid		**(19,426)**	(3,078)
Gratuity paid		**(429)**	-
Net cash generated from/ (used in) operating activities		**252,930**	(3,117)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(142,445)**	(131,206)
Proceeds from disposal of property, plant and equipment		**8,240**	3,250
Long term deposits		**17,332**	(15,417)
Net cash used in investing activities		**(116,873)**	(143,373)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability paid		**(105,894)**	(109,324)
Repayment of short term loan		**-**	(4,500)
Issue of shares		**246,000**	4,000
Long term deposits		**4,649**	(921)
Net cash generated from/ (used in) financing activities		**144,755**	(110,745)
Net increase/ (decrease) in cash and cash equivalents		**280,812**	(257,235)
Cash and cash equivalents as at the beginning of the year		**(484,805)**	(227,570)
Cash and cash equivalents as at the end of the year	35	**(203,993)**	(484,805)

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

Chief Executive

Director

HASCOL PETROLEUM LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	Rupees in '000	
Profit/ (Loss) for the year	**81,606**	(274,654)
Other comprehensive income	-	-
Total Comprehensive income/ (loss)	**81,606**	(274,654)

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

Chief Executive

Director

HASCOL PETROLEUM LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

	Issued, subscribed and paid-up capital	*Share premium	Accumulated loss	Total
	------------------- Rupees in '000 -------------------			
Balance as at January 01, 2010	406,000	500	(28,726)	377,774
Issue of shares	4,000	2,800	-	6,800
Total comprehensive loss	-	-	(274,654)	(274,654)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	1,468	1,468
Balance as at December 31, 2010	410,000	3,300	(301,912)	111,388
Balance as at January 01, 2011	**410,000**	**3,300**	**(301,912)**	**111,388**
Issue of shares	**246,000**	-	-	**246,000**
Total comprehensive income	-	-	**81,606**	**81,606**
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	**1,468**	**1,468**
Balance as at December 31, 2011	**656,000**	**3,300**	**(218,838)**	**440,462**

* This arose on issue of shares and can be utilized as allowed under section 83 of the Companies Ordinance, 1984.

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

Chief Executive

Director

1 STATUS AND NATURE OF BUSINESS

Hascol Petroleum Limited (the Company) was incorporated in Pakistan as a private limited company on March 28, 2001. On September 12, 2007 the Company was converted into a public unlisted company. The registered office of the Company is situated at Suite No.105-106, The Forum, Khayaban-e-Jami, Clifton, Karachi. The Company markets petroleum products and compressed natural gas. It also get blends and markets various kinds of lubricating products.

The Company obtained oil marketing license from Ministry of Petroleum and Natural Resources in the year 2005. Commercial Operations were started in the month of September 2005.

The company is a subsidiary of Alsaa Petroleum & Shipping FZC.

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 provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of IFRS, the requirements of and directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for office building- owned, which is stated at revalued amount (note 3.1) and staff retirement benefits (note 3.17) which have been recognised at present value of defined benefit obligation.

In these financial statements, except for the statement of cash flows, all the transactions have been accounted for on an accrual basis.

2.3 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2012:

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendments are not relevant to the financial statements of the Company.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendment are not likely to have an impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendment are not likely to have an impact on financial statements of the Company.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require 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. During the year, the Company has recognised Rs. 0.004 million in respect of actuarial in the profit and loss account and its net unrecognised actuarial gains at December 31, 2011 amounted to Rs.0.817 million. Following the change actuarial losses will be recorded immediately in other comprehensive income.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments are not likely to have an impact on financial statements of the Company.

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after July 01, 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments are not likely to have an impact on financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments are not likely to have an impact on financial statements of the Company.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The interpretation is not relevant to the financial statements of the Company.

2.4 Critical assumptions and estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgements made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the company's financial statements and estimates and assumptions with significant risk of material adjustment in the future period are included in the following notes:

	Notes
a) Useful lives of operating property, plant and equipment and their residual value.	3.1
b) impairment of financial and non-financial assets	3.3 & 3.9
c) NRV of Stock-in-trade	3.7
d) Provision for doubtful trade debts	3.8
e) accrued and other liabilities	3.11
f) Taxation	3.14
g) Staff retirement benefits	3.17

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

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

3.1 Property, plant and equipment

Owned

Property, plant and equipment are initially stated at cost and subsequently carried at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

Property, plant and equipment including all additions are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged on straight line method from the month in which an asset is available for use while no depreciation is charged from the month in which the asset is disposed off at the rates disclosed in note 4.1.

The assets' residual value, useful lives and methods are reviewed, and adjusted if appropriate, at reporting date. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the year the asset is derecognized.

Leased

The Company accounts for assets acquired under finance leases by recording the assets and the related obligation. These amounts are determined at the inception of lease, on the basis of the lower of the fair value and the present value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant rate of charge on the outstanding liability i.e internal rate of return. Depreciation is charged to income applying the same basis as for owned assets.

Capital work-in-progress

Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use and cost can be measured reliably.

Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through Statement of Changes in Equity to record realisation of surplus to the extent of the incremental depreciation charge for the year.

3.2 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Initial recognition

Financial assets and financial liabilities are recognised initially at cost including associated transaction costs except that are incurred on financial assets and liabilities at fair value through profit or loss, which is the fair value of the consideration given/ received for it.

Subsequent measurement

The financial assets and financial liablities are measured subsequently as described below;

3.3 Financial assets and financial liablities

For the purpose of subsequent measurement, financial assets and financial liabilities are classified into the following categories upon initial recognition:

- loans and receivables;
- held to maturity investments;
- available-for-sale financial assets; and
- financial assets and financial liabilities at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at cost less accumulated impairement, if any.

Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity and the Company has a positive intent and ability to hold these investments till maturity. After Initial recognition, these are carried at amortized cost.

Available for sale financial assets

Investments intended to be held for indefinite period of time, which may be sold on response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity investments (c) financial assets at fair value through profit or loss. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to shareholders' equity until the investment is derocognized.

Financial assets at fair value through profit or loss

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in prices are also classified as 'at fair value through profit or loss' or held for trading.

Financial assets in this category are measured at fair value with gains or losses recognised in profit and loss account. These investments are marked to market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to the profit and loss account for the year.

Impairment of financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

3.4 Derecognition

Financial assets are decognized at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liablities are derecognized at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liablities are taken to the profit and loss account immediately.

3.5 Off setting

Financial assets and liabilities are off set and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.6 Investments in subsidiaries

Subsidiaries are those enterprises in which the parent Company directly or indirectly controls, benifically owns or holds more than 50% of the voting securities or otherwise has the power to elect and appoint more than 50% of its directors.

Investment in subsidiary companies are stated at cost and the carrying amount is adjusted for impairment, if any, to the recoverable amounts of such investments.

3.7 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to the market sale.

Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon. Provision is made for obsolete and slow moving stock-in-trade based on management's best estimate and is recognized in the profit and loss account.

The cost of stock in trade is determined on weighted average basis.

3.8 Trade debts and other receivables

Trade debts and other recivables are recognised initially at invoice value. A provision for impairment of trade debts and other recivables is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired.

3.9 Impairment of non financial assets

The carrying amounts of non financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss, 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. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand and balances with banks in current accounts and savings acounts net off short term running finances.

3.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.12 Lease

3.12. Finance Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to profit and loss account and is included under finance costs.

3.12. Operating Leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

3.13 Foreign currency translations

Monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into Pakistan rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to income currently.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.14 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in the profit and loss account except to the extent that it relates to items recognized outside profit and loss account (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside profit and loss account.

3.14. Current

The Company accounts for taxation on the basis of taxable income at the current rates of taxation as applicable in Pakistan after taking into account tax credits and rebates available, if any, and in accordance with final tax provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years.

3.14. Deferred

Deferred tax is provided for, using the balance sheet method, providing the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized.

3.15 Revenue recognition

Revenue is recognised to the extent that 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 consideration received or receivable on the following basis:

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

- Non-fuel retail income and other revenue (including licence fee) is recognised on an accrual basis.

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

- Return on deposits and other services income is recognised on accural basis.

3.16 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently these are measured at amortised cost.

3.17 Retirement and other service benefits

3.17.1 Unfunded gratuity scheme

The Company operates an unfunded gratuity scheme for employees who have completed the employement period of 5 years. Provision is created for the benefit of the scheme on the basis of actuarial recommendations.The actuarial valuations are carried out using the Projected Unit Credit Method. The Company recognised acturial gain/ loss using corrdior approach and as per corridor approach for the recognition of actuarial gains and losses, amount exceeding 10 percent of project benefit obligation and fair value of plan assets are amortized over the expected future service of the eligible employees.

3.17.2 Contributory provident fund

The Company operates an unapproved contributory provident fund for all its permanent employees.The contribution to the fund is made by the Company as well as the employee.

3.18 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings 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 the borrowings using the effective interest method.

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

Borrowing costs incurred on finances obtained for qualifying assets are capitalized up to the commencement of commercial production of the respective assets. All other borrowing costs are charged to profit and loss account as and when incurred.

3.19 Presentation and functional currency

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

4 PROPERTY, PLANT & EQUIPMENT	Note	**2011**	2010
		Rupees in '000	
Operating fixed assets	4.1	**660,345**	649,685
Capital work-in-progress	4.5	**216,654**	131,936
		876,999	781,621

4.1 The following is a statement of operating tangible fixed assets:

	Owned assets									Leased assets						
	Building on lease hold land		Tanks and pipelines	Dispensing pumps	Plant & Machinery	Electrical, mechanical and fire fighting equipment	Furniture, office equipment and other assets	Vehicles	Computers auxiliaries	Building on Leasehold Land	Tanks and Pipelines	Dispensing pumps	Plant & Machinery	Electrical, mechanical and fire fighting equipment	Vehicles	Total operating fixed assets
	*Office building	Pump building														
	Rupees in '000															
At January 1, 2011																
Cost / revalued amount	66,173	142,818	3,643	-	754	320	33,202	6,906	5,545	169,019	91,162	137,365	68,419	4,143	53,663	783,132
Accumulated depreciation	11,269	6,546	290	-	54	14	17,532	4,026	3,308	25,599	14,667	22,035	8,559	858	18,690	133,447
Net book value	54,904	136,272	3,353	-	700	306	15,670	2,880	2,237	143,420	76,495	115,330	59,860	3,285	34,973	649,685
Year ended December 31, 2011																
Opening net book value	54,904	136,272	3,353	-	700	306	15,670	2,880	2,237	143,420	76,495	115,330	59,860	3,285	34,973	649,685
Additions	-	2,579	1,120	1,447	-	144	497	136	677	-	-	-	-	-	-	6,600
Transfer in / (out)	-	10,694	2,603	1,992	2,394	39	-	9,749	-	(10,694)	(2,603)	(1,992)	(2,394)	(39)	(9,749)	-
Transferred from capital work in progress	-	42,029	3,400	3,460	-	207	2,031	-	-	8,074	1,701	2,046	825	-	-	63,773
Disposals																
Cost	-	-	-	-	-	-	-	4,169	100	-	-	-	-	-	7,113	11,382
Accumulated depreciation	-	-	-	-	-	-	-	3,730	100	-	-	-	-	-	3,153	6,983
Depreciation charge for the year	3,694	11,097	789	670	580	76	5,172	9,259	1,185	5,732	4,009	8,656	2,907	393	1,095	55,314
Closing net book value	51,210	180,477	9,687	6,229	2,514	620	13,026	3,067	1,729	135,068	71,584	106,728	55,384	2,853	20,169	660,345
At December 31, 2011																
Cost	66,173	198,120	10,766	6,899	3,148	710	35,730	12,622	6,122	166,399	90,260	137,419	66,850	4,104	36,801	842,123
Accumulated depreciation	14,963	17,643	1,079	670	634	90	22,704	9,555	4,393	31,331	18,676	30,691	11,466	1,251	16,632	181,778
Net book value	51,210	180,477	9,687	6,229	2,514	620	13,026	3,067	1,729	135,068	71,584	106,728	55,384	2,853	20,169	660,345
Depreciation rate percent per annum	5	5	5	6.67	10	10	20	20	33.33	5	5	6.67	5	10	20	
At January 1, 2010																
Cost / revalued amount	63,292	25,612	429	-	531	4	26,841	12,095	3,253	153,531	63,534	101,603	44,183	3,128	25,719	523,756
Accumulated depreciation	7,560	2,075	171	-	24	-	12,087	9,669	2,352	17,697	11,037	13,944	5,596	522	9,680	92,415
Net book value	55,732	23,537	258	-	507	4	14,754	2,426	901	135,834	52,497	87,659	38,587	2,606	16,039	431,340
Year ended December 31, 2010																
Opening net book value	55,732	23,537	258	-	507	4	14,754	2,426	901	135,834	52,497	87,659	38,587	2,606	16,039	431,341
Additions	-	13,114	3,214	-	223	316	6,361	261	2,292	-	-	-	-	-	30,311	56,092
Transfer in/(out)	-		-	-	-	-	-	473	-	-	-	-	-	-	(473)	-
Transferred from capital work in progress	2,881	104,092	-	-	-	-	-	-	-	15,488	27,628	35,762	24,236	1,015	-	211,102
Disposals / transfers																
Cost	-	-	-	-	-	-	-	7,817	45	-	-	-	-	-		7,862
Accumulated depreciation	-	-	-	-	-	-	-	6,918	37	-	-	-	-	-		6,955
	-	-	-	-			-	-	-	-		-	-	-	-	-
Depreciation charge for the year	3,709	4,471	119	-	30	14	5,445	1,275	948	7,902	3,630	8,091	2,963	336	9,010	47,943
Closing net book value	54,904	136,272	3,353	-	700	306	15,670	986	2,237	143,420	76,495	115,330	59,860	3,285	36,867	649,685
At December 31, 2010																
Cost	66,173	142,818	3,643	-	754	320	33,202	6,906	5,545	169,019	91,162	137,365	68,419	4,143	53,663	783,132
Accumulated depreciation	11,269	6,546	290	-	54	14	17,532	4,026	3,308	25,599	14,667	22,035	8,559	858	18,690	133,447
Net book value	54,904	136,272	3,353	-	700	306	15,670	2,880	2,237	143,420	76,495	115,330	59,860	3,285	34,973	649,685
Depreciation rate percent per annum	5	5	5	6.67	5	10	20	20	33.33	5	5	6.67	5	10	20	

* Running finance facility from a bank is secured on office building for the value of Rs. 275 million (2010: Rs.200 million)

4.2 Had there been no revaluation, the written down value of the office building in the balance sheet would have been as follows:

	2011	2010
	Rupees in '000	
Cost	**23,974**	23,974
Accumulated depreciation	**7,892**	6,693
Written down value	**16,082**	17,281

4.3 The depreciation charged for the year has been allocated as follows:

	2011	2010
Distribution expenses	**45,262**	38,279
Administrative expenses	**10,052**	9,664
	55,314	47,943

4.4 Details of disposal of fixed assets having net book value of Rs. 50,000 or above:

Vehicle (As per company's policy)

Type	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain/ (Loss)	Particulars of buyer	Mode of disposal
Suzuki Cultus	600,000	550,000	50,000	240,000	190,000	Mr. Tilla Khan	Auction
Suzuki Cultus	600,000	550,000	50,000	455,000	405,000	Mr. Wajahat	Auction
Suzuki Liana	856,375	699,373	157,002	476,000	318,998	Mr. Shaukat Chaudry	Auction
Suzuki Cultus	600,000	550,000	50,000	240,000	190,000	Mr. Ahtisham	Auction
Honda Civic	1,376,000	1,054,933	321,067	987,000	665,933	Syed Rifat	Auction
Toyota Altis	1,899,000	1,012,800	886,200	1,542,000	655,800	Mr. Altaf Ahmed	Auction
Toyota XLI	1,269,000	423,000	846,000	1,210,000	364,000	Mr. Altaf Ahmed	Auction
Toyota XLI	1,269,000	380,700	888,300	1,241,500	353,200	Mr. Altaf Ahmed	Auction
Toyota XLI	1,300,000	281,667	1,018,333	1,212,000	193,667	Mr. Altaf Ahmed	Auction

4.5 Capital work-in-progress

	2011	2010
	Rupees in '000	
Petrol pump buildings, & equipment	**81,261**	72,317
Tanks, dispenser, depots and other equipments	**129,782**	59,619
Advances to contractors	**5,611**	-
	216,654	131,936

The movement of CWIP during the year is as follows:

	Opening balance	Additions during the year	Transferred to the property, plant and equipments	Total
	Rupees in '000			
Petrol pump buildings, & equipment	72,317	59,047	(50,103)	**81,261**
Tanks, dispenser, depots and other equipment	59,619	83,833	(13,670)	**129,782**
Advances to contractors	-	5,611	-	**5,611**
	131,936	**148,491**	**(63,773)**	**216,654**

5 LONG-TERM INVESTMENT

	Note	Percentage 2011	Percentage 2010	Amount 2011	Amount 2010
				Rupees in '000	
Subsidiary company- at cost					
Unquoted					
Hascombe Lubricants (Private) Limited 9,779,800 (December 31, 2010: 9,779,800) ordinary shares of Rs. 10 each.		**100**	100	**30,604**	30,604
Less: Provision for impairment	5.1			**(30,604)**	(18,575)
				-	12,029

The Hascombe Lubricants (Private) Limited is wholly owned subsidiary of the Company, incorporated in Pakistan under the Companies Ordinance,1984.

5.1 Movement in provision for impairment in long-term investment

	2011	2010
	Rupees in '000	
Balance at beginning of the year	**18,575**	15,218
Provision made during the year	**12,029**	3,357
Balance at end of the year	**30,604**	18,575

6 LONG-TERM DEPOSITS

	Note	2011	2010
		Rupees in '000	
Lease deposits		**40,918**	58,234
Other deposits	6.1	**9,929**	9,945
		50,847	68,179

6.1 Other deposit includes an amount of Rs. 8.2 million (2010: Rs. 8.2 million) with PAF Base Faisal, for HASCOL One Petrol Station, a Company owned and Company operated site.

7 DEFERRED TAXATION - net

	2011	2010
	Rupees in '000	
This is comprised of the following:		
Taxable temporary difference arising in respect of :		
- Accelerated depreciation	**(52,733)**	(88,071)
- Assets under finance lease	**(137,787)**	(152,340)
Deductible temporary difference arising in respect of :		
- Liabilities against assets subject to finance lease	**85,710**	118,722
- Employee benefits	**4,010**	2,979
- Investments	**10,711**	6,501
- Provision for doubtful debts	**297**	-
- Carry forward tax losses	**221,547**	228,512
- Turnover tax	**154,836**	37,164
- Other	**-**	790
	286,591	154,257

Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate unutilized tax losses as at December 31,2011 amounts to Rs. 632.99 million, the deferred income tax asset has been recognized on tax losses based on projections of future taxable profits of the Company.

		Note	2011	2010
			Rupees in '000	
8	**STOCK-IN-TRADE**			
	Raw and packing materials		**61,222**	38,142
	Finished goods			
	- fuels	8.1	**150,111**	419,530
	- lubricants		**99,281**	110,714
			249,392	530,244
	Stock in transit		**648**	18,773
	Fuel - written off		**-**	(11,467)
			311,262	575,692

8.1 Stock in finished goods fuels includes 418,249 litres of High Speed Diesel which has been maintained as line fill necessary for the pipeline to operate.

	Note	2011	2010
		Rupees in '000	
9 TRADE DEBTS			
Considered good - unsecured	9.1	**533,036**	121,989
Considered doubtful		**849**	-
Trade debts - gross		**533,885**	121,989
Less: Provision for doubtful debts		**(849)**	-
		533,036	121,989

9.1 This includes receivables from Hascombe Lubricants (Private) Limited (subsidiary company) amounting to Rs. 6.572 million (2010: Rs 6.501 million).

	Note	2011	2010
		Rupees in '000	
9.2 Movement of provision for doubtful debts			
Balance at beginning of the year		-	-
Provision made during the year		**849**	-
Balance at end of the year		**849**	-
10 ADVANCES - considered good			
Advances:			
- against expenses		**4,270**	3,676
- to contractors		-	8,763
- rent		**4,954**	4,390
- paid to supplier		**63,126**	44,485
		72,350	61,314
11 SHORT TERM DEPOSITS AND PREPAYMENTS			
Inland Freight Equalisation Margin (IFEM)		**5,504**	69,259
Margin held against letter of credit		-	3,451
Prepaid insurance and others		**3,272**	4,370
Lease deposits		**12,015**	-
		20,791	77,080
12 OTHER RECEIVABLES			
Price Differential Claims (PDC's)	12.1	**7,633**	7,633
Due from Hascombe Business Solutions (Private) Limited	12.2	**6,400**	-
Others	12.2	**14,700**	599
		28,733	8,232

12.1 This represents amount receivable from the Government of Pakistan (GoP) net of recovery as per fortnightly rates declared by the Ministry of Petroleum and Natural Resources (MPNR). The Company together with other oil marketing companies is actively persuing the matter with the concerned authorities for the early settlement of above claim. The Company considers that the balance amount will be reimbursed by GoP in due course of time.

12.2 This includes Rs. 20 million receivable from related parties.

13 CASH AND BANK BALANCES

	Note	2011	2010
		Rupees in '000	
Balances with banks			
- current		8,867	24,611
- savings	13.1	97,598	2,770
Cash in hand		2,933	-
		109,398	27,381

13.1 Balances with banks carry interest ranging from 6 percent per annum to 7.5 percent per annum (2010: 5 percent per annum to 8 percent per annum).

14 SHARE CAPITAL

14.1 Authorised capital

	2011	2010
	Rupees in '000	
Class "A" shares		
75,000,000 (2010: 53,000,000) shares of Rs. 10 each.	750,000	530,000
Class "B" shares		
NIL (2010: 7,000,000) shares of Rs. 10 each.	-	70,000
	750,000	600,000

14.2 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010	2011		2011	2010
Number of shares			Rupees in '000	
Class "A" shares				
32,940,000	64,540,000	Ordinary shares of Rs. 10 each fully paid in cash	645,400	329,400
1,060,000	1,060,000	Ordinary shares of Rs. 10 each for consideration other than cash	10,600	10,600
			656,000	340,000
Class "B" shares				
7,000,000	-	Ordinary Shares of Rs. 10 each fully paid in cash	-	70,000
41,000,000	65,600,000		656,000	410,000

Associated companies hold 12,464,000 (2010: 20,904,500) of ordinary shares of Class "A" share

Class "B" shares contain no voting right.

Reconciliation of Class A shares of Rs. 10 each fully paid in cash

2010	2011		2011	2010
Number of shares			Rupees in '000	
32,540,000	32,940,000	Ordinary shares of Rs. 10 each, fully paid in cash as at January 01	329,400	325,400
400,000	24,600,000	Issued during the year	246,000	4,000
-	7,000,000	Converted from Class B shares to Class A	70,000	-
32,940,000	64,540,000		645,400	329,400

14.3 During the period a special resolution was passed on 29th July, 2011 by the Company to convert 7 million ordinary shares amounting to Rs 70 million of Class B into Class A shares. Furthermore, the Company has also increased its authorized share capital from Rs 600 million to Rs 750 million.

	2011	2010
	Rupees in '000	
15 SURPLUS ON REVALUATION OF FIXED ASSETS- net of tax		
Gross surplus		
Opening balance	**30,800**	33,058
Transfer in respect of incremental depreciation charged during the year	**(2,258)**	(2,258)
	28,542	30,800
Related deferred tax		
Opening balance	**10,166**	10,956
Reversal of deferred tax liability on account of incremental depreciation charged during the year	**(790)**	(790)
	9,376	10,166
	19,166	20,634

Subsequent to revaluation on June 30, 2006 conducted by M/S Iqbal Nanji & Company an independent valuer, which resulted in surplus of Rs. 18.877 million, the building was revalued again by M/S Akbani & Javed Associates an independent valuer on October 20, 2007 resulting in surplus of Rs. 39.7 million.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into various lease agreements with various leasing companies for lease of various items of plant and machinery and vehicles. Minimum lease payments are payable by the year 2015 have been discounted by using financing rates ranging from 16 percent to 20 percent (2010: 16 percent to 19.1 percent) per annum. Title to the assets acquired under the leasing arrangements are transferable to the Company upon payment of entire lease obligations.

The minimum lease payments for which the Company has committed to pay in future under the lease agreements are as follows:

	2011			2010		
	Minimum lease payments	**Financial charges allocated to future**	**Present value of minimum lease payments**	Minimum lease payments	Financial charges allocated to future periods	Present value of minimum lease payments
	----------Rupees in '000----------			----------Rupees in '000----------		
Upto one year	**147,296**	**30,600**	**116,696**	146,900	41,116	105,784
Between one year to f	**141,478**	**12,216**	**129,262**	268,135	34,713	233,422
	288,774	**42,816**	**245,958**	415,035	75,829	339,206

	Note	2011	2010
		Rupees in '000	
17 LONG TERM DEPOSITS	17.1	**64,272**	59,623

17.1 This includes interest free security deposits from dealers in accordance with contract in writing and are repayable on termination or cancellation of dealership.

		Note	2011	2010
			Rupees in '000	
18	**DEFERRED LIABILITY - GRATUITY**	18.1	**11,456**	8,511

18.1 As disclosed in note 3.17.1, the Company operates an unfunded gratuity scheme for its permanent employees who have completed five years of service with the Company.

The information provided in notes 18.2 to 18.6 have been obtained from the actuarial recommendations.

18.2 Reconciliation of obligation as at year end

	Note	2011	2010
		Rupees in '000	
Present value of defined benefit obligation as at the end of the year	18.4	**10,639**	8,510
Net unrecognised acturial gains	18.6	**817**	298
Unrecognised transitional obligation		**-**	(297)
Balance sheet liability		**11,456**	8,511

18.3 Movement in liability recognised in balance sheet

	Note	2011	2010
Balance at the beginning of the year		**8,511**	5,604
Add: Charge for the year	18.5	**3,374**	2,907
Less: Payments to outgoing employees		**(429)**	-
Balance at the end of the year		**11,456**	8,511

18.4 Movement in present value of the defined benefit obligation

	2011	2010
Present value of defined benefit obligation at the beginning of year	**8,510**	5,352
Current service cost	**1,956**	1,832
Interest cost	**1,125**	803
Benefit paid during the year	**(429)**	-
Actuarial (gain)/ loss	**(523)**	523
Present value of defined benefit obligation at the end of year	**10,639**	8,510

18.5 The amounts recognised in the profit and loss are as follows:

	Note	2011	2010
Current service cost		**1,956**	1,832
Interest on obligation		**1,125**	803
Acturial gain	18.6	**(4)**	(26)
Amortisation of transition obligation		**297**	297
Total gratuity expense for the year for unfunded obligation		**3,374**	2,906

18.6 Movement in the actuarial losses during the year:

	2011	2010
Opening unrecognized actuarial gain	**(298)**	(847)
Net actuarial (gain) during the year	**(523)**	523
	(821)	(324)
Actuarial (gain) recognized in profit and loss	**(4)**	(26)
Closing unrecognized actuarial gains	**(817)**	(298)

Historical data for gratuity is as follows:

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	10,639	8,511	5,604	3,535	2,257
Actuarial loss/ (gain) on obligation	(523)	523	(847)	-	142

18.7 Actuarial assumptions

The following significant assumptions were used in the valuation of these schemes:

	2011	2010
	% per annum	
- Expected long-term rate of increase in salary level	**12%**	12%
- Discount rate	**13%**	13%

19 TRADE AND OTHER PAYABLES

	Note	2011	2010
		Rupees in '000	
Trade creditors		**373,845**	419,172
Accrued liablities		**48,253**	12,038
Advance from customers		**287,657**	269,651
IFEM/Cartrage payable		**4,221**	16,355
Other liabilities		**379,536**	126,222
		1,093,512	843,438

20 MARK-UP ACCRUED

	Note	2011	2010
Mark up accrued on short term running finances	21.1	**13,270**	12,870

20.1 As noted in note 21, this represented mark-up payable on finances availed by the company. The rates of mark-up ranged from 16% to 18% per annum in 2011 (2010: 14% to 21% per annum).

21 SHORT TERM RUNNING FINANCES - SECURED

	Note	2011	2010
		Rupees in '000	
Summit Bank Limited	21.1	**277,074**	421,794
JS Bank Limited	21.2	**831**	40,550
KASB Bank Limited	21.3	**35,486**	49,842
		313,391	512,186

21.1 This represents running finance facility from Summit Bank Limited. The santioned limit is for Rs. 275 million (2010: Rs. 200 million) secured against registered assets of the Company and first pari passu hypothecation charge with 25 percent margin over Company's present and future current assets, the personal guarantee of all the directors and first exclusive equitable registered mortgage charge over the property with 25 percent margin on office building. The finance carries mark-up at the rate of 3 months KIBOR plus a spread of 3 percent per annum (2010: 3 months KIBOR plus a spread of 5 percent per annum), payable at the end of every quarter. The value of stock pledge as security as at December 31, 2011 is NIL (2010: Rs.140 million).

21.2 The running finance facility of Rs 50 million from JS Bank Limtied has been settled during the year. The facility was secured by way of hypothecation charge of present and future current assets of the company with 25 percent margin and personal guarantees of all the directors. Furthermore, JS Bank Limited has issued NOC letter to the company for clearence of the security and guarantees of directors.

21.3 This represents running finance facility to the extent of Rs.50 million (2010: Rs. 50 million) availed from KASB Bank Limited. This facility carries mark-up at the rate of 3 months KIBOR plus spread of 3.5 percent per annum (2010: 3 Months KIBOR plus spread of 3.5 percent per annum) payable at the end of every quarter. The loan is secured by way of Hypothecation charge of Rs. 67 million over the Company's present and future fixed assets with 25% margin and has maturity due on March 10, 2012.

22 CONTINGENCIES AND COMMITMENTS

Contingencies

As per the deliberations of the Main Committee of the Oil Companies Advisory Committee (OCAC) held in their meeting number MCM-168 dated September 20, 2007, the financial costs on outstanding Price Differential Claims (PDC) should be worked and billed to the Government of Pakistan (GOP) through OCAC by the Oil Marketing Companies (OMCs) on a regular basis. Although the Company had billed Rs 65.97 to the GOP/ OCAC, the management had not accounted for its impact in these financial statements as the inflow of economic benefits, though probable, is not virtually certain.

COMMITMENTS

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

	2011	2010
	Rupees in '000	
Property, plant and equipment	**264,000**	173,100
Intangibles	**3,500**	-

Commitments for rental of assets under operating lease agreements as at December 31, 2011 amounted to Rs. 994.165 million (2010: Rs.669.5 million) payables as follows:

	2011	2010
	Rupees in '000	
Not later than one year	**58,184**	33,477
Later than one year and not later than five years	**232,736**	133,908
Later than five years	**703,245**	502,155
	994,165	669,540

23 SALES

	2011	2010
Gross sales	**19,619,548**	9,250,410
Less: sales discount	**(21,549)**	(26,498)
Less: sales return	**(14,227)**	(21,750)
	19,583,772	9,202,162

		Note	2011	2010
			Rupees in '000	
24	**OTHER REVENUE**			
	Joining fee for petrol pump operators		**2,100**	6,650
	Franchise / CNG franchise fee		**21,261**	20,937
			23,361	27,587
25	**COST OF SALES**			
	Opening stock of lubricants, raw and packing materials		**148,856**	78,540
	Raw and packing materials purchased		**333,052**	326,222
	Less: Closing stock of lubricants, raw and packing mate	8	**(160,503)**	(148,856)
	Lubricants, raw and packing materials consumed		**321,405**	255,906
	Opening stock - fuel		**408,063**	65,304
	Fuel purchased		**14,747,815**	7,477,721
	Duties and levies	25.1	**1,067,254**	347,494
	Less: Closing stock - fuel	8	**(150,111)**	(408,063)
			16,394,426	7,738,362
25.1	**Duties and levies**			
	Inland freight equilisation margin		**145,308**	273,990
	Freight		**921,946**	73,504
			1,067,254	347,494
26	**DISTRIBUTION EXPENSES**			
	Salaries, wages and other benefits	27.1	**30,554**	26,447
	Traveling and conveyance		**12,001**	9,538
	Rent, rates and taxes		**90,334**	80,470
	Insurance		**4,791**	2,812
	Depreciation	4.3	**45,262**	38,279
	Entertainment		**1,359**	2,007
	Printing and stationery		**1,794**	-
	Communication		**1,764**	1,254
	Repairs and maintenance		**10,642**	7,297
	Utilities		**2,828**	-
	Fees and subscription		**1,691**	1,053
	Lease registration fee		**-**	1,223
	Sales promotional charges		**95,078**	22,265
	Royalty		**28,125**	17,008
	Advertising and publicity		**3,693**	6,672
	Testing & Training		**37**	54
	Uniforms for petrol pumps		**396**	1,793
	Miscellaneous		**1,069**	499
			331,418	218,671

27 ADMINISTRATIVE EXPENSES

	Note	2011	2010
		Rupees in '000	
Salaries, allowances and other benefits	27.1	83,115	77,408
Traveling and conveyance		2,385	5,076
Rent, rates and taxes		8,197	9,773
Insurance		1,775	1,792
Depreciation	4.3	10,052	9,664
Entertainment		865	1,241
Printing and stationery		1,192	6,042
Communication		2,102	2,218
Repairs and maintenance		4,066	4,172
Utilities		3,003	4,908
Fee and subscription		7,388	5,782
Auditors' remuneration	27.2	1,346	800
Donation	27.3	700	525
Legal and professional charges		7,450	6,515
Provision for doubtful debts		849	-
Miscellaneous		185	362
		134,670	136,278

27.1 Salaries and other benefits relating to distribution and adminstrative expense include:

	Note	2011	2010
- Gratuity	18.3	3,374	1,832
- Contribution to provident fund		3,021	2,599

27.2 Auditors' remuneration

	2011	2010
Audit fee	1,243	550
Other certifications	23	180
Out of pocket expenses	80	70
	1,346	800

27.3 None of the directors and their spouses had any interest in any of the donees.

28 OTHER OPERATING INCOME

	2011	2010
	Rupees in '000	
Income from financial assets		
Profit on bank deposits	1,888	2,027
Income from non-financial assets		
Earnest money	-	1,108
Promotional marketing fee	2,000	14,629
Retainer fee	2,100	5,442
Scrap sales	135	742
Re organisation fee	200	300
Gain on sale of disposal of property, plant and equipments	3,841	2,342
Rent Income	3,422	-
Liabilities no longer payable written back	6,312	-
Others	3,715	448
	23,613	27,038

	Note	2011	2010
		Rupees in '000	
29 FINANCE COST			
Mark-up on short-term running finances		**118,429**	56,616
Bank charges		**555**	627
LC Charges		**34,219**	54,991
Lease Finance Charges		**48,493**	47,840
		201,696	160,074
30 TAXATION			
Current		**93,805**	42,475
Deferred	7	**(132,334)**	(50,158)
		(38,529)	(7,683)

30.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income falls under minimum/ presumptive tax regime of the Income Tax Ordinance, 2001.

	2011	2010
	Rupees in '000	
31 EARNINGS/(LOSS) PER SHARE - basic and diluted		
Profit/ (Loss) for the year	**81,606**	(274,654)
	Number of Shares	
Weighted average number of ordinary shares	**42,145,753**	40,966,667
Earnings/ (Loss) per share (Rupees)	**1.94**	(6.70)

There is no dilutive effect on basic earning per share as the Company has no potential ordinary shares.

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees in '000		Rupees in '000	
Short-term employee benefits				
Managerial remuneration	8,400	44,396	8,400	39,447
House rent and utilities	1,148	12,698	1,092	10,517
Medical expenses	1,095	2,958	420	-
	10,643	60,053	9,912	49,964
Post-employment benefits				
Company's contribution to gratuity and provident fund	-	2,289	-	2,195
	10,643	62,341	9,912	52,159
Number of persons	1	40	1	42

32.1 The Chief Executive and certain executives are also provided with the free use of Company maintained cars and cell phones. In addition, the Chief Executive and Chief Operating Officer are also entitled free security services in accordance with the terms of employment.

33 RELATED PARTY TRANSACTIONS

Related parties comprises of subsidiary company, associated undertakings, directors of the Company, Companies where directors also hold directorship, key management personnel and post employment plans. The Company in the normal course of business carried out transactions with various related parties.

Remuneration of key management personnel is disclosed in note 33. Amount due to/ from and other significant transactions, other than those disclosed elsewhere in these financial statements, are as follows:

Nature of transaction	Nature of relationship	2011	2010
		Rupees in '000	
Transactions			
IT support service fee	Associated Company	396	2,903
Rental income	Associated Company	3,422	700
Sale of goods	Associated Company	5,760	-
Purchase of goods	Associated Companies	10,197,658	-
Purchase of goods	Parent Company	478,357	-
Expenses charged	Associated Companies	2,964	-
Balance			
Trade debtors	Associated Companies	20,864	6,474
Trade creditors	Associated Companies	94,614	-
Trade creditors	Parent Company	11,499	

All transactions with related parties have been carried out on commercial terms and conditions.

Expenses recovered from / charged by related parties are based on actuals. The related outstanding balances have been disclosed in note 9 to these financial statements.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The Company considers its Executive Director and Executives to be key management personnel.

In addition to this Company Secretary is paid an amount of Rs. 25,000 per months for his services.

34 CASH GENERATED FROM OPERATIONS

	Note	2011	2010
		Rupees '000	
Profit/ (Loss) before taxation		**43,077**	(282,337)
Adjustment for non-cash and non operating items:			
Depreciation	4.3	**55,314**	47,943
Provision for gratuity	18.5	**3,374**	2,907
Impairment in long term investment	5.1	**12,029**	3,357
Provision for doubtful debts	9.2	**849**	-
Liabilities no longer required written back	28	**(6,312)**	-
Gain on sale of property, plant and equipment	28	**(3,841)**	(2,342)
Finance cost	29	**201,696**	56,616
Working capital changes	34.1	**167,895**	225,984
		474,081	52,128

34.1 Working capital changes

	2011	2010
Decrease/ (Increase) in current assets		
Stock-in-trade	**264,430**	(429,401)
Trade debts	**(411,896)**	(68,271)
Advances	**(11,036)**	(6,854)
Short term deposits and prepayments	**56,289**	17,634
Other receivables	**(20,501)**	17,783
Sales tax receivable	**34,223**	27,433
	(88,491)	(441,676)
Increase in current liabilities		
Trade and other payables	**256,386**	667,660
	167,895	225,984

35 CASH AND CASH EQUIVALENTS

	2011	2010
Cash and bank balance	**109,398**	27,381
Short term running finances - secured	**(313,391)**	(512,186)
	(203,993)	(484,805)

36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

36.1 Financial risk management

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Company's activities. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control enviroment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of risk management framework in relation to the risk faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk (Note 36.1.1)
- Credit risk and concentration of credit risk (36.1.2)
- Liquidity risk (36.1.3)

36.1.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in foreign currency, market interest rates or the market price 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 objective of market risk management is to manage and control market risk exposures within an acceptable range. The market risk includes:

(a) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates.

The Company is not exposed to the currency risk as the major transaction of the company are carried out in the Pak Rupees.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from liability against asset subject to finance lease and Running finance arrangement-secured. At the balance sheet date the interest rate profile of the Company's mark-up bearing financial instruments is as summarised as follows:

Cash flow sensitivity for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss before tax shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant.

	Profit and loss	
	100 bp increase	100 bp decrease
	(Rupees in '000)	
As at December 31, 2011		
Cash flow sensitivity - variable rate instruments	**(8,837)**	**8,837**
As at December 31, 2010		
Cash flow sensitivity - variable rate instruments	(5,955)	5,955

Equity price risk

Equity price risk is the risk of loss arising from movements in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

(c) Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer. The Company is not exposed to such price risk as there is no such type of financial instruments available to the Company.

36.1.2 Credit risk and concentration on credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause to other party to incur a financial loss. Out of the total financial assets of Rs. 624.7 million (2010: Rs. 240.4 million), the financial assets which are subject to credit risk amounting to Rs. 621.85 million (2010: Rs. 240.25 million).

The credit quality of receivables can be assessed with reference to the historical performance with no or some defaults in recent history, however, no losses. The company manages credit risk of receivables through the monitoring of credit exposures, limiting transactions with specific customers and continuous assessment of credit worthiness of its customers.

The carrying values of financial assets which are neither past due nor impaired are as under:

	Note	2011	2010
		Rupees in '000	
Long-term deposits	6	**50,847**	9,945
Trade debts	9	**533,036**	121,989
Short Term Deposits And Prepayments	11	**5,504**	72,710
Other receivables	12	**28,733**	8,232
Cash and bank balances	13	**106,465**	27,381
		724,585	240,257

The credit risk for cash and cash equivalent is considered to be negligible, since the counterparties are reputable banks and institutes with high quality external credit ratings. The credit quality of bank balances that are neither past due nor impaired can be assesed with reference to external credit ratings as follows:

Bank	Rating Agency	Short term	Long term
Allied Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
Bank Al Falah Limited	PACRA	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A
Bank of Punjab	PACRA	A1+	AA-
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR- VIS	A-1+	AA+
JS Bank Limited	PACRA	A1	A
KASB Bank Limited	PACRA	A2	A-
MCB Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR- VIS	A-1+	AA-
National Bank of Pakistan	JCR- VIS	A- 1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Oman International Bank	JCR- VIS	A-2	BBB
Samba Bank Limited	JCR- VIS	A-1	A+
Silkbank Limited.	JCR- VIS	A-2	A-
Sindh Bank Limited	JCR- VIS	A-1	AA-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR- VIS	A-2	A
United Bank Limited	JCR- VIS	A-1+	AA+

(b) Interest rate risk (continued)

		Effective yield/ interest rate %	Exposed to yield/interest risk			Non-interest bearing			2011
			Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	Total
Financial assets									
Long-term deposits			-	-	-	-	9,929	9,929	9,929
Trade debts			-	-	-	533,036	-	533,036	533,036
Short Term Deposits And Prepayments			-	-	-	5,504	-	5,504	5,504
Other receivables			-	-	-	28,733	-	28,733	28,733
Cash and bank balances		6.0 to 7.5.0	-	-	-	8,867	-	8,867	8,867
	(a)		-	-	-	576,140	9,929	586,069	586,069
Financial liabilities									
Liabilities against assets subject to finance lease		16.0 to 20	129,262	116,696	245,958	-	-	-	245,958
Long-term deposits			-	-	-	-	64,272	64,272	64,272
Trade and other payables			-	-	-	1,093,512	-	1,093,512	1,093,512
Markup accrued			13,270	-	13,270	-	-	-	13,270
Short term running finances - secured		16.0 to 18.0	313,391	-	313,391	-	-	-	313,391
	(b)		455,923	116,696	572,619	1,093,512	64,272	1,157,784	1,730,403
On balance sheet gap	(a)-(b)		(455,923)	(116,696)	(572,619)	(517,372)	(54,343)	(571,715)	(1,144,334)

		Effective yield/ interest rate %	Exposed to yield/interest risk			Non-interest bearing			2010
			Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	Total
Financial assets									
Long-term deposits			-	-	-	-	9,945	9,945	9,945
Trade debts			-	-	-	121,989	-	121,989	121,989
Short Term Deposits And Prepayments			-	-	-	72,710	-	72,710	72,710
Other receivables			-	-	-	8,232	-	8,232	8,232
Cash and bank balances		5.0 to 8.0	2,770	-	2,770	24,611	-	24,611	27,381
	(a)		2,770	-	2,770	227,542	9,945	237,487	240,257
Financial liabilities									
Liabilities against assets subject to finance lease		16.0 to 19.1	105,784	233,422	339,206	-	-	-	339,206
Long-term deposits			-	-	-	-	59,623	59,623	59,623
Trade and other payables			-	-	-	843,438	-	843,438	843,438
Markup accrued			12,870	-	12,870	-	-	-	12,870
Finance under mark-up arrangement		15.0 to 21.0	512,186	-	512,186	-	-	-	512,186
	(b)		630,840	233,422	864,262	843,438	59,623	903,061	1,767,323
On balance sheet gap	(a)-(b)		(628,070)	(233,422)	(861,492)	(615,896)	(49,678)	(665,574)	(1,527,066)

36.1.3 Liquidity risk

Liquidity risk reflects the Company's inability of raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customers.

As at December 31, 2011 the Company's financial liabilities have contractual maturities as sun

	Note	within one year	over one ye
		------------Rupees in '0	
Liabilities against assets subject to finance lease	16	116,696	129,2
Long term deposits	17	-	64,2
Trade and other payable	19	1,093,512	-
Mark-up accrued	20	13,270	-
Short term running finances - secured	21	313,391	-
		1,536,869	193,5

As at December 31, 2010 the Company's liabilities have contractual maturities as summarisec

	Note	within one year	over one ye
		------------Rupees in '0	
Liabilities against assets subject to finance lease	16	105,784	233,4
Long term deposits	17	-	59,6
Trade and other payable	19	843,438	-
Mark-up accrued	20	12,870	-
Short term running finances - secured	21	512,186	-
		1,474,278	293,0

37 CAPITAL RISK MANAGEMENT OBJECTIVES AND POILCIES

The board's policy is to maintain a strong capital base so as to maintain investor, creditors and market confidence and to sustain future development of the business, safeguard the company's ability to continue as going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The board monitor the return on capital, which the Company defines as net profit/(loss) after tax divided by total shareholders' equity. The board also monitors the level of dividend to ordinary shareholders subject to the availabilty of funds.

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

	2011	2010
	Rupees '000	
Total borrowings	**559,349**	851,392
Cash and bank balance	**109,398**	27,381
Net debt	**449,951**	824,011
Total Equity	**440,462**	119,625
Total	**890,413**	943,636
Gearing	**51%**	87%

38 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	December 31, 2011 Loans and receivables	Held to maturity	Total
		---------- Rupees in '000 ----------		
Financial Assets				
Long-term deposits	6	9,929	-	9,929
Trade debts	9	533,036	-	533,036
Short Term Deposits And Prepayments	11	5,504	-	5,504
Other receivables	12	28,733	-	28,733
Cash and bank balance	13	109,398	-	109,398
		686,600	-	686,600
Financial Liabilities				
Liabilities against assets subject to finance lease	16	-	245,958	245,958
Long term deposits	17	64,272	-	64,272
Trade and other payables	19	1,093,512	-	1,093,512
Mark-up accrued	20	-	13,270	13,270
Short term running finances - secured	21	-	313,391	313,391
		1,157,784	572,619	1,730,403

	Note	December 31, 2010 Loans and receivables	Held to maturity	Total
		---------- Rupees in '000 ----------		
Financial Assets				
Long-term deposits	6	9,945	-	9,945
Trade debts	9	121,989	-	121,989
Short Term Deposits And Prepayments	11	72,710	-	72,710
Other receivables	12	8,232	-	8,232
Cash and bank balance	13	27,381		27,381
		240,257	-	240,257
Financial Liabilities				
Liabilities against assets subject to finance lease	16	-	339,206	339,206
Long term deposits	17	59,623	-	59,623
Trade and other payables	19	843,438	-	843,438
Mark-up accrued	20	-	12,870	12,870
Short term running finances - secured	21	-	512,186	512,186
		903,061	864,262	1,767,323

The carrying value of all financial assets and financial liabilities approximate to their fair value.

39 EMPLOYEES

	2011	2010
Number of employees as on December 31	**151**	127

40 DATE OF AUTHORISATION

These financial statements have been authorised for issue on APRIL 09, 2012 by the board of directors of the Company.

41 GENERAL

41.1 All amounts have been rounded to the nearest thousand. mm

Chief Executive

Director