RAISING THE BAR

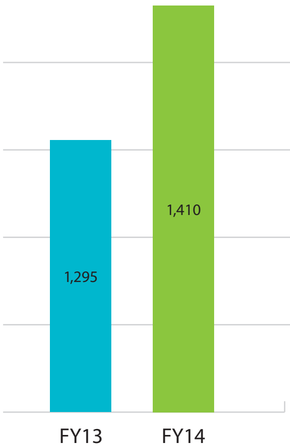
Annual Report 2014

Pakistan State Oil

RAISING THE BAR

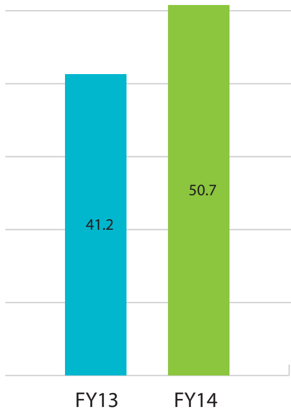
PSO set new performance benchmarks by achieving all time high sales revenue and profitability in FY 2014.

Sales Revenue
Rs. in billion



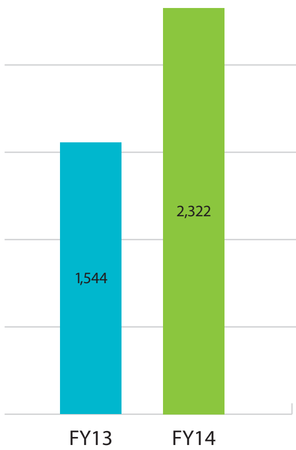
Profit After Tax
Rs. in billion

Return on Capital Employed
Percentage



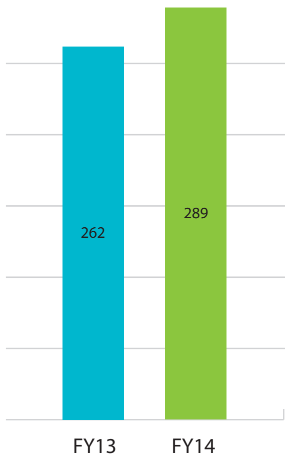
Market Capitalization
Rs. in billion

Dividends
Rs. in million



Earning Per Share
Rupees

Contribution to Government Exchequer
Rs. in billion



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Foreword by
Amjad Parvez Janjua
Managing Director & CEO

PSO closed FY2013-2014 with flying colors. It was a momentous year in PSO's operating history when the Company recorded all time high sales revenue, operating profit, after tax earnings and market capitalization. Consequently, the Company made its highest ever contribution to the Government exchequer in the form of duties and taxes.

During the year, the Company earned a Profit after Tax (PAT) of Rs 21.8 billion against 12.6 billion in the last year. The Company crossed Rs 100 billion mark of market capitalization to be one of the few Rs 100 billion plus 'large cap' companies on the Stock Exchanges of Pakistan, and its Outlook was upgraded by PACRA from 'Stable' to 'Positive' with AA+ and A1+ long-term and short-term credit ratings. PSO is now on Forbes 2000 list of world's biggest publically traded companies.

These all time high performance benchmarks were achieved without any increase in margins during the year and despite higher finance cost borne by the Company owing to higher power sector receivables during the year. To manage this situation, the Company optimized the sales of its products to strike an effective balance between growth and profitability while realizing substantial cost efficiencies in administration, distribution, and marketing; limiting increase in expenses in this regards to 3% as compared with 14% average increase in expenses over the last three years and against an inflation of 8.5% during FY 2014.

During FY 2014, the Company successfully met the challenge of timely and continuous supply of fuel oil for electricity generation despite the circular debt issue vis-à-vis huge receivables from the power sector by efficiently managing the supply chain, inventory and finances.

The Company improved its refining base by increasing equity stake in Pakistan Refinery Limited from 18% to 22.5% and completed the ground work for diversifying into LNG import business by developing the structure for the LNG project in consultation with all stakeholders.

Various system based controls were introduced and a number of business functions were automated during the year. SAP system was upgraded, enabling the Company to utilize new features available in Enterprise Core Component Version 6 leading to improved ERP utilization, cost efficiency, reporting integration and information reconciliation.

An Online Order Management System (OOMS) was implemented, enabling PSO's customers to login to their e-portals and place orders for products, make payments and view accounts status. This system helped PSO to reduce operational cost, enhance controls, eliminate potential irregularities due to human intervention, and improve payment collection by establishing online connectivity with the banking network across the country.

During the year, a human resource development initiative for capacity building and leadership development was launched by signing an MoU with Suleman Dawood School of Business (SDSB) of the Lahore University of Management Sciences (LUMS). An internship program for the students of universities across Balochistan was also launched.

As a responsible corporate citizen, PSO is committed to fulfillment of its responsibility towards the society, with a particular focus on supporting the distressed and deprived segments of society.

PSO realizes that in addition to being directly accountable to its shareholders, it is responsible to a wide group of stakeholders for supporting sustainable development and expanding economic opportunity.

The Company accordingly made all time high contribution towards CSR and supported promotion initiatives during FY 2014. PSO contributed Rs 40 million to the Prime Minister's Relief Fund for the Internally Displaced Persons from North Waziristan in addition to donating a portion of its employees' salaries for this noble cause. PSO also extended support to fellow citizens affected and displaced by floods by providing relief items to meet their nutritional and shelter needs in the month of October 2013. Besides, the Company extended active support and donations to a wide range of more than thirty organizations engaged in development and humanitarian support efforts in the fields of health, education and community building.

While we rejoice at success in achieving our business goals, we realize that this should not be a cause of complacency but a source of encouragement and motivation for PSO team to play a more active role in growth and development of the Company in the interest of all stakeholders.

I take this opportunity to express gratitude for the guidance of our Board of Management, support of the Government of Pakistan, dedicated hard work of our staff, and continued trust of our shareholders, customers and business partners which enabled us to successfully achieve our business goals.

Amjad Parvez Janjua
Managing Director & CEO

ALL TIME HIGHS!

Sales Revenue
Rs 1,410 Billion
↑ 9%

Gross Profit
Rs 36.8 Billion
↑ 8%

Operating Profit
Rs 42.0 Billion
↑ 60%

Profit After Tax
Rs 21.8 Billion
↑ 73%

Earning Per Share
Rs 80.31
↑ 73%

Contribution to Government
Exchequer Rs 289 Billion
↑ 10%

OUR VISION

To excel in delivering value to customers as an innovative and dynamic energy company that gets to the future first.

OUR MISSION

We are committed to leadership in the energy market through competitive advantage in providing the highest quality petroleum products and services to our customers, based on:

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

OUR VALUES

Excellence
Cohesiveness
Respect
Integrity
Innovation
Corporate Responsibility

NOTICE OF THE MEETING

Notice is hereby given that the Thirty Eighth Annual General Meeting of the Company will be held at Pearl Continental Hotel, "Ball Room", Club Road, Karachi on Tuesday October 14, 2014 at 11:30 a.m. to transact the following business:

I. Ordinary Business

1. To confirm the minutes of the Thirty Seventh Annual General Meeting held on October 09, 2013.

2. To receive and adopt the audited accounts for the year ended June 30, 2014 together with the report to the Shareholders and Auditors Report thereon.

3. To lay information before the members of the Company of the appointment of Messrs M. Yousuf Adil Saleem & Co. and Messrs A.F. Ferguson & Co., Chartered Accountants, as auditors of the Company for the year ending June 30, 2015.

4. To declare and approve final cash dividend of 40%, in addition to the interim cash dividend of 40% already paid, thereby making a total cash dividend of 80% alongwith 10% bonus shares for the year ended June 30, 2014.

II. Special Business

5. To consider and, if thought fit, pass with or without modification(s) the following resolution for the capitalization of profits amounting to Rs. 246,987,210/- by way of one Bonus share for every ten (10) existing Ordinary shares held by the shareholders @ 10% as recommended by the Board of Management:

i) A sum of Rs. 246,987,210/- from the Company's profit for the year ended June 30 2014, be capitalized for issuing 24,698,721 fully paid–up Ordinary Shares of Rs.10/- each as bonus shares that were allotted to those members whose names appear in the Register of Members on April 04, 2014, in the proportion of one share for every ten shares held and that the bonus shares when issued shall rank pari passu in all respects with the existing Ordinary Shares of the Company except that the said bonus shares shall not be eligible for the dividend declared for the year ended June 30, 2014.

ii) The members entitled to fraction of shares as a result of their holdings either being less or in excess of an exact multiple of proportion, referred in 5(i) above, shall be given the sale proceed of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange;

iii) For the purpose of giving effect to the above, the Chief Executive be and is hereby authorized to take all necessary actions and to settle any question or difficulty that may arise regarding the distribution of the said bonus shares or in the payment of the sale proceeds of the fractional entitlements (referred above), as he deems fit.

III. Other Business

6. To transact any other Ordinary Business of the Company with the permission of the Chairman.

By Order of the Board
AYESHA AFZAL
Company Secretary

Karachi: September 03, 2014

Notes:

a. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. A proxy form is enclosed.

b. The Share Transfer books of the company will remain closed from October 08, 2014 to October 14, 2014 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, M/s THK Associates (Pvt) Limited, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi up to the close of business on October 07, 2014 will be considered in time to be eligible and entitled to final dividend.

c. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of power of attorney must be deposited at the registered office of the company at least 48 hours before the time of the meeting.

d. Members are requested to notify changes immediately, if any, in their registered addresses to our Share Registrar, M/s THK Associates (Pvt) Limited.

e. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

i) In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport alongwith Participants ID number and their account number at the time of attending the meeting.

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

NOTICE OF THE MEETING

B. For appointing proxies:

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

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

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

iv) The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.

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

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984 REGARDING THE SPECIAL BUSINESS.

This statement sets out the material facts concerning the Special Business, given in agenda item no. 5 of the Notice to be transacted at the Thirty Eighth Annual General Meeting of the Company.

1) The Board of Management (BoM) is of the view that the Company's financial position and its reserves as on June 30, 2014 justify the capitalization of free reserves by way of issue of bonus shares to the members in the ratio of one(1) bonus shares for every ten(10) ordinary shares held. The BoM Members of the Company, directly or indirectly, are not personally interested in this business. The paid up capital of the Company after issuance of bonus shares @10% shall stand increased to Rs 2,716,859,380/-.

RESOLUTION OF CONCERN RAISED AT LAST AGM

Safeguarding and maximizing the shareholders value is an important goal of the company. Our Annual General Meeting (AGM) is one of the most effective ways to engage our shareholders, wherein all queries and concerns of our shareholders our addressed on priority. In the last AGM meeting the concerns and queries of the shareholders were duly addressed and their advice for future relevant actions was received.

INVESTOR GRIEVANCE POLICY

PSO continuously engages with its investors through Company's secretariat and responds to their queries and request for information and their concerns / grievances. PSO's registrar i.e. M/s THK Associates (Pvt) Limited also addresses the investors grievances received from time to time.


PSO

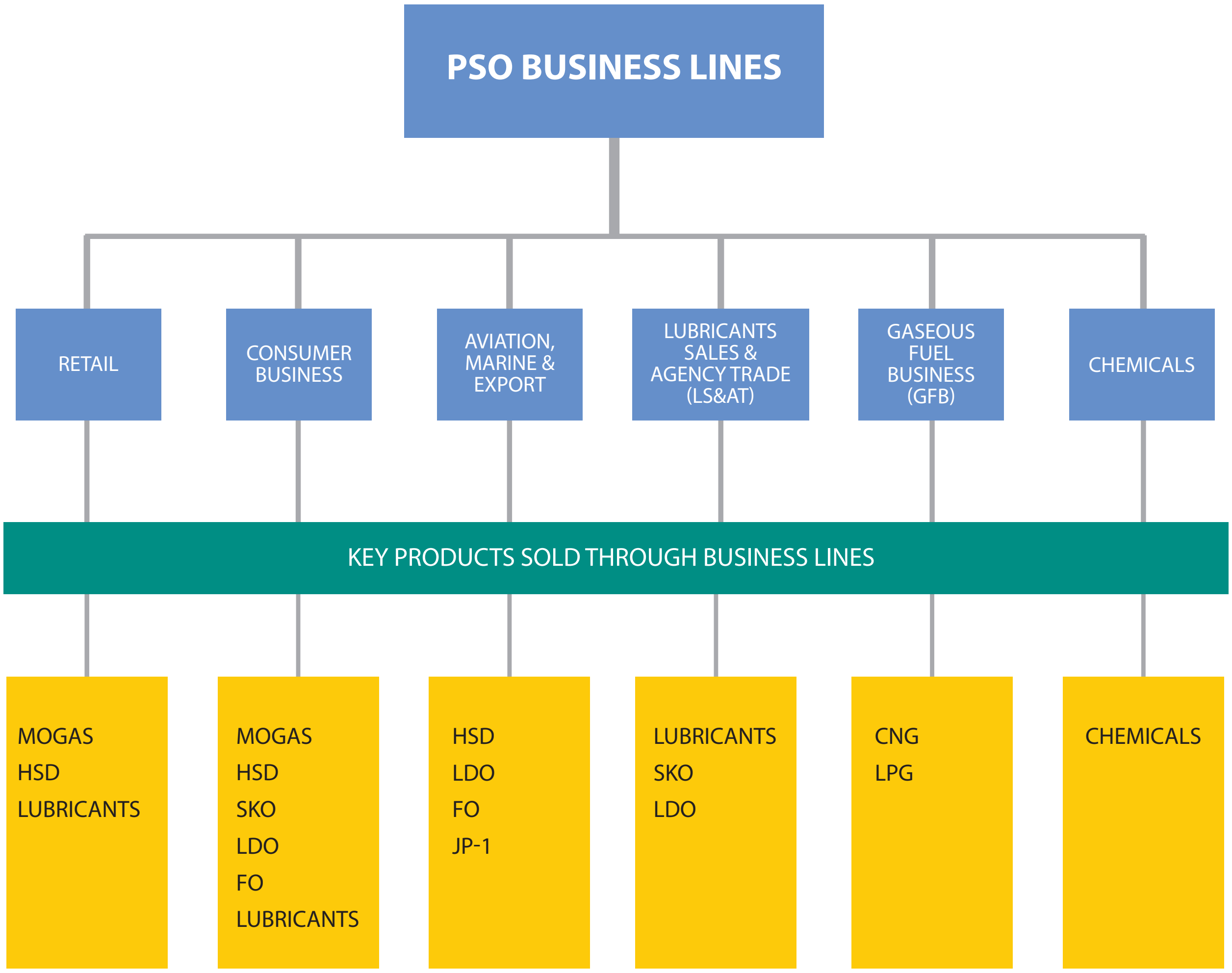

Energizing
Pakistan

COMPANY PROFILE

Pakistan State Oil (PSO) is one of the important strategic assets of the Pakistani economy. As the country's largest Company in terms of turnover, PSO leads the oil marketing sector, both in Black oil and White oil. It serves around 3 million customers every day across the entire economic value chain with over 3500 retail outlets and controls 74% of the country's oil storage capacity. It is involved in import, storage, distribution and marketing of a range petroleum products including gasoline , diesel, fuel oil, jet fuel, LPG, CNG and petrochemicals.

- Oil market leader in Pakistan
  - Overall share 62%
  - Black Oil 73%
  - White Oil 53%
- Over 1 million tons of oil storage capacity (74% of total OMC storage)
- Largest Fuel Oil Supplier to the Energy Sector across Pakistan including IPPs and Gencos
- Retail network of 3,557 outlets
- 1,776 New Vision Retail Outlets (NVROs)
- 150 convenience stores – Shop Stops
- 251 CNG facilities in more than 34 cities
- PSO Smart Cards (for fuels and fleet operations)
- 24 Mobile Quality Testing Units
- Refueling facilities at 9 airports & 2 sea ports

PSO INFRASTRUCTURE



PSO's broad product portfolio and nationwide network give the company a large and diverse customer base

PSO STRATEGIC INVESTMENTS

- 62% Joint Installation of Marketing Companies
- 49% Asia Petroleum Limited
- 22% Pak Grease Manufacturing Company Ltd
- 22.5% Pakistan Refinery Limited
- 12% PARCO White Oil Pipeline Project

MEETINGS AND EVENTS

Visit of Federal Minister
for Petroleum and Natural Resources

Meeting with State Minister for
Petroleum and Natural Resources

Annual General Meeting

PSO receives Award for Best
Annual Report in Fuel and Energy

PSO Celebrates 37th Anniversery

PSO & LUMS sign MoU for
Learning Program

MD PSO receives Large Tax Payer Unit (LTU) Award

Management Hajj Balloting

Customer Care Day

Non-Management Hajj Balloting

Strategic Partnership with Daewoo Pakistan

Annual PSO Cricket Tournament

AWARD & RECOGNITION

Received
Large Taxpayer Award
for contribution to national exchequer

Recognized for
Excellent Performance in the Oil and Gas sector
at the Corporate Excellence Awards organized by the Management Association (MAP) Pakistan

Won first prize for the
Best Annual Report in Fuel and Energy
at the Best Corporate Report Award ceremony 2013

Received the
Best Consumer Choice Award
for PSO Fleet and Corporate Cards

Recipient of the
CSR National Excellence Award

Listed among
Forbes Global 2000
as one of the world's largest publically traded companies

MANAGEMENT OBJECTIVES & STRATEGIES

The overarching objective of PSO's management is to retain leadership position in the oil market and establish PSO as a brand of choice for customers. Ensuring compliance with legal and regulatory framework and HSE codes and standards in all spheres of operations and playing an effective role in society as a responsible corporate citizen form major objectives.

The strategies to achieve these objectives are diversified in accordance with PSO's wide range of products and services portfolio. These strategies include modernization and augmentation of customer outlets network and related facilities, undertaking of PSO's customer services initiatives and brand promotion campaigns, reinforcement of operational infrastructure including storage and pipelines and developing and implementing technological development programs, and ensuring highly ethical environment friendly and safe business practices.

CRITICAL PERFORMANCE INDICATORS

PSO has a performance monitoring and review mechanism which is integrated with the Company's objectives and strategies. This mechanism serves as a watchdog to ensure that implementation of the corporate plan viz-a- viz the objectives is on track and on time. The broader thrust of the performance objectives is to excel in delivering value to customers in terms of quality and timeliness of products and services.

The critical performance benchmarks include responsible and safe operations, meeting highest professional standards, and commitment to Company's values. Innovation and creativity is highly valued and so are operational and cost efficiencies. Highly ethical, safe, environment friendly and socially responsible business practices are highly valued and receive due weightage in annual performance appraisal of the employees, which form the basis for their professional advancement and reward.

SIGNIFICANT CHANGES OVER PREVIOUS PERIOD

PSO strives to maintain continuity in its strategic objectives while making requisite adjustments in view of the existing and evolving business and competitive realities. A significant development in terms of objectives and strategies has been PSO's diversification initiative into LNG import business whereby the Company will act as an LNG importer with reponsibility to make arrangements with international suppliers and transporters. The imported LNG will then be delivered to Sui Southern Gas Company (SSGC) - the state-owned gas distribution company - at the LNG terminal where it will be re-gasified and put into the gas companies system. Essential preparatory work has been initiated to develop the structure for import and implementation of the LNG project.

RELATIONSHIP BETWEEN RESULTS & OBJECTIVES

FY 2014 has been a very successful year for PSO in terms of meeting or exceeding the business objectives. The progress in this regard has been outlined in Foreword by the Managing Director & CEO. The Company met or surpassed its targets of sales revenue, operating profit, after tax earnings and market capitalization. The all time high achievements have been highlighted in the earlier part of the report which have been successfully achieved without any increase in margin during the year and despite high finance cost borne by the company due to high power sector receivables during the year. In addition to achieving the operational and cost efficiencies, the company played an important role in supporting the society and community at large as a responsible corporate citizen and made highest ever contribution to the national exchequer in the form of duties and taxes. In addition to the objectives set for the year, a major diversification initiative was successfully launched in a highly professional manner with respect to PSO's LNG import project.

RISK & MITIGATION PLANS

Business inherently involves opportunities and risks. Effective management of opportunities and risks is therefore a key factor in sustainably safeguarding a company's value. Business success depends on the principle that the risks taken are managed and that they are outweighed by the opportunities offered.

At PSO, effective risk management forms an integral part of the governance system for timely identification, evaluation and handling of risks through planning, recording and audit systems. Risks by nature contain a certain level of uncertainty which require us to be vigilant in identification of these risks for timely formulation of mitigating strategies. Major risks and their mitigating plans for PSO are categorized below:

Risk	Mitigation Plan
Strategic	
International oil price volatility	Maximize reliance on local resources
Unexpected legal or regulatory changes	Regularly assess key risk scenarios and adopt a proactive approach towards optimizing the risk-return
Lack of long term supply sources	Strive to gain access to assured long term and cost effective supply sources by effectuating a refining back up
Product mix vulnerability	Increase focus on more profitable products and ensure their long term availability and access
	Undertake diversification in related businesses and provide other value added services
Reputation management	Protect PSO' s brand assets and ensure the provision of high quality products and services. Contribute to the nation's development through CSR initiatives
	Establish strong internal controls and reinforce the code of conduct amongst the management and staff
Operational	
Capacity constraints	Enhance operational efficiencies through resource optimization and cost containment
Occupational and environmental challenges	Ensure strict compliance with the HSE standards and codes. Adopt world-wide best practices
Possible shift in marketing hubs and supply envelopes	Enable proper resource allocation and optimization as per changing business needs
Liquidity constraints	Ensure timely recovery of payments from credit customers and business partners
Financial	
Currency devaluation	Close monitoring of currency markets
Interest rate fluctuation	Efficient treasury management
Change in equity price	Close monitoring of market prices
Credit risk	Monitoring credit exposures and continuous assessment of customer's credit worthiness

APPROACH TO MATERIALITY

In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. The company has an approved Limits of Authority Manual (LAM) based on which approvals are obtained from the Management team / Board of Management for every transaction to be processed.

COMMITMENT TO HSE

As Pakistan's leading Oil Marketing Company, we are aware of our commitment to the broader stakeholder community. We, as a company ensure that our policies & procedures are eco-friendly and over the years we have demonstrated our focus on the environment by decreasing our environmental footprint year on year. Similarly we ensure that health and safety of all our people and stakeholders that interact with our businesses remains a paramount consideration.

HSE at PSO

Our HSE policy is an important ingredient of our overall code of business conduct. It states that PSO will ensure:

- The health of its employees, contractors, customers and public is protected.
- All activities are carried out safely.
- Environment is protected.

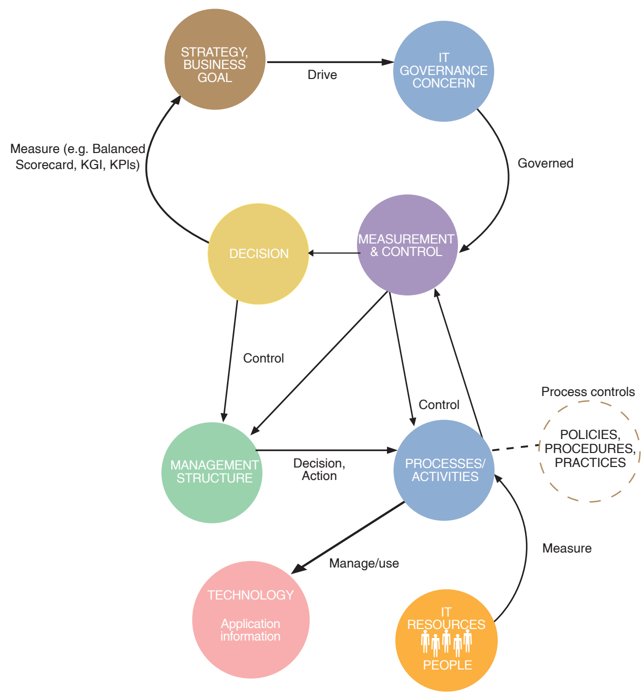
To implement HSE policy, Pakistan State Oil Company Limited will:

- Comply with Pakistan's relevant laws and regulations.
- Ensure that all its activities are carried out in accordance with the Company's Health, Safety and Environmental Standards and Procedures.
- Ensure that environmental performance meets legislative requirements.
- Require every employee to exercise personal responsibility in preventing harm to self or others and to the environment.
- Maintain public confidence in the integrity of its operations by openly reporting its performance to all stakeholders who work with the Company.
- Provide appropriate Health, Safety and Environment training/information to employees, contractors and other stakeholders who work with the Company.
- Integrate Risk Assessment with all business processes.
- Promote prevention of pollution and proper handling and disposal of solid, liquid wastes and gaseous emissions.
- Continuously improve our performance by improving the leadership, capability and capacity of our organization.

IT GOVERNANCE

In line with its objective of ensuring transparency and oversight across the organization, PSO has developed an IT Governance policy. This policy defines the scope of governance and outlines the chain of responsibility, authority and communication across the Company.

For this purpose, an Information System (IS) Steering Committee has been formed to ensure that all IS strategies are aligned with the company's vision, to review recommendations for improvements in business processes and to evaluate the impact of improvements on the company's business and control environment.



CORPORATE SOCIAL RESPONSIBILITY

Business enterprises are increasingly realizing the need for balancing the goal of ensuring sound business environment and community development with the traditional goal of maximizing the profitability of the shareholders. The reason of this lies primarily in growing awareness that corporate sector can play a vital role in striking an effective balance among the economic growth, social progress and ecological efficiency.

Despite general understanding of the synergy between business and societal development, the idea that companies should be accountable to a wider group of stakeholders has evolved differently in various business contexts. Hence, there is a need for building clarity and coherence and promoting best practices with respect to responsible role of business referred to as Corporate Responsibility, Corporate Citizenship or Corporate Social Responsibility (CSR).

PSO ascertains the effectiveness of the CSR initiatives in terms of their value addition to business and to societal development (value for employee and community at large), as below:

- Traditional charity / philanthropy also referred to as Donation, has significant social value addition but low shareholder value addition.

- Compliance with regulation has low social value addition and low shareholder value addition.

- Risk management (controlling cost and liabilities) has low social value addition and high shareholder value addition.

- Socially responsible innovation has high social value addition and high shareholder value addition. (an innovation has a marketing value, so every novelty is not an innovation).

As a responsible corporate citizen, PSO is committed to fulfillment of its responsibility towards the society, with a particular focus on supporting the distressed and depriving segments of society.

During FY 2014, the Company made highest ever contribution towards CSR and supported promotion initiatives.


PSO
Pakistan State Oil
PSO Carient
Motor Oils
Now that's real

COMPANY INFORMATION

BOARD OF MANAGEMENT

Mr. Mujahid Eshai
Chairman

Mr. Amjad Parvez Janjua
Managing Director & CEO

Mr. Muhammad Naeem Malik
Member

Mr. Umar Azim Daudpota
Member

Mr. Bilal Ejaz
Member

Mr. Adeel Rauf
Member

Mr. Shahzad Saleem
Member

Mr. Salman Ansari
Member

Mr. Shahid Islam
Member

Mr. Hussain Islam
Member

COMPANY SECRETARY

Ms. Ayesha Afzal

AUDITORS

M/s. KPMG Taseer Hadi & Co.
M/s. M. Yousuf Adil Saleem & Co.

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Citibank N.A
Deutsche Bank AG
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
The HSBC Bank Middle East Limited
United Bank Limited

REGISTRAR OFFICE

THK Associates (Pvt.) Ltd.
Ground Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road, Karachi.
Phone: 021-35689021
Fax: 021-35655595

REGISTERED OFFICE

Pakistan State Oil Company Limited
PSO House
Khayaban-e-Iqbal, Clifton,
Karachi - 75600, Pakistan.
UAN: (92-21) 111-111-PSO (776)
Fax: (92-21) 9920-3721
Website: www.psopk.com

PROFILES OF BOARD OF MANAGEMENT

Mr. Mujahid Eshai

Other Engagements
Visiting Lecturer-FC College, National Defence College, Virtual University, Beaconhouse University

Mr. Mujahid Eshai qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales in 1973 and was admitted to the Institute of Chartered Accountants of Pakistan in 1975. He brings with him vast experience spreading over forty years in industry (Engineering and Construction), consultancy, audit and academics. He was an elected council member of the Institute of Chartered Accountants of Pakistan from 1997 to 2005 during the course of which he held the position of the President of the Institute in 2003-2004. He has also served on the Board of Directors of the South Asian Federation of Accountants for over four years (2006-2010) and in the Information Technology (1998 to 2001) Committee and the Developing Nations Task Force and Committee of the International Federation of Accountants (2004 to 2006). Mr. Eshai was member of the Federal Public Accounts Committee from 2000 to 2002.

Mr. Eshai was a nominated member of the Board of Directors of Tariq Glass Industry Limited, the only public listed company in the glass (tableware) sector in Pakistan, for a period of twenty years from March 1992 to April 2013. He was a director of a listed Non-Banking-Financial-Institution for a period of over four years till 2013. He has also served for over four years as an independent member of the Central Board Audit Committee of State Bank of Pakistan (2003 to 2007). He was also a member of the Earthquake Livelihood Relief Committee (2006 to 2010). He is currently on the Board of few private companies and also heading a financial, management consultancy and software designing company.

Mr. Eshai has teaching experience of over 25 years of Financial, Management Accounting and Corporate Governance. He is an International Finance Corporation approved trainer in Corporate Governance and has lectured on the subject at PICG as well as the Institute of Chartered Accountants' Board of Directors Training Programs. He is a visiting faculty member of F.C. College (Finance and Corporate Governance), lectured at National Defence College, Islamabad, on Budgeting, Accounting and Auditing, lecturer for the bachelors and Masters Program of the Virtual University and Masters Program at Beacon house National University.

Mr. Eshai has penned over fifty publications of professional interest that have appeared in various professional magazines of the South Asian region in addition to op-eds written for some daily newspapers.

Mr. M. Naeem Malik

Other Engagements
Additional Secretary Ministry of Petroleum & Natural Resources

Mr. Muhammad Naeem Malik is a Chemical Engineer by profession with 34 years experience in the petroleum sector. He started his career with petro-chemical industry in the private sector and then joined Ministry of Petroleum & Natural Resources in 1981 where he has worked on various important assignments in the Government of Pakistan. He remained Director General (Gas), Director General (Oil), Director General (Special Projects), Director General (Petroleum Concessions), Managing Director/CE) of Oil & Gas Development Company Limited (OGDCL) and Pakistan Mineral Development Corporation (PMDC). Mr. Malik is presently working as an Additional Secretary in Ministry of Petroleum & Natural Resources. He brings with him diversified experience of upstream, midstream and down -stream oil and gas sector.

Mr. Malik remained director on Boards of almost all the public sector petroleum companies including SNGPL, SSGCL, Pirkoh Gas Company, PPL, OGDCL and MGCL. Presently he is Director on the Board of Mari Gas Company Limited and Chairman Board of Directors of Pakistan Mineral Development Corporation.

He was appointed as Member, PSO Board of Management on March 16, 2013.

Mr. Amjad Parvez Janjua

Other Engagements
Managing Director & CEO-PSO

Mr. Amjad Parvez Janjua is the Managing Director and CEO of Pakistan State Oil Company Limited (PSO). Formerly, he was the Managing Director & CEO of Asia Petroleum Limited (APL) where he led successful transformation of the Company, which is widely regarded as a model of corporate development and change management. Premier education institutions in Pakistan taught the case on APL's turnaround to students of business administration. Based on his accomplishments at APL, he received the "Best CEO of the Year 2010" award.

He has been Executive Director, Senior General Manager and General Manager of PSO. He established PSO's corporate strategy function and developed a robust, forward-looking and cohesive strategic framework, which became a popular topic of case studies in Pakistan and abroad. Based on his outstanding performance at PSO, he was honoured with the "Professional Excellence Award" by AIOU-Commonwealth of Learning (Canada). His diversified work experience other than Pakistan includes World Bank, USA; Scottish Enterprise, UK; and international advisory and consulting assignments.

His first-class academic record includes an MBA from University of Glasgow (U.K.), M.S. Energy Management & Policy from University of Pennsylvania (U.S.A.), and B.Sc. Engineering from University of Engineering & Technology, Lahore (Pakistan). He has received advanced training in strategic leadership and corporate governance from University of Oxford, University of Cambridge and Harvard University.

Mr. Janjua is on the Board of PSO, Pakistan Refinery Limited, Asia Petroleum Limited, Pak Arab Pipeline Company, Petroleum Institute of Pakistan, Pak Grease Manufacturing Company (Pvt) Limited, and Lahore University of Management Sciences – National Management Foundation .

Mr. Janjua has held most coveted advisory positions at international business coalitions. He has been Senior Advisor to the World Business Council for Sustainable Development (WBCSD) in Geneva and President of Pakistan Chapter of WBCSD. He has also been a Member of the Advisory Committee of the Global Corporate Citizenship Initiative of the World Economic Forum (Switzerland).

Mr. Umar Azim Daudpota is a leading banker with over 29 years of experience in the field of banking having served in both local and international banks. As part of his extensive experience, Mr. Umar was instrumental in establishing and developing various businesses in Retail, NRP, Priority and Consumer banking.

Umar Azim Daudpota holds both an MBA degree as well as Bsc. In Aero-sciences and has successfully completed the International Capital Market Qualification from the Securities Institute, London, UK. He was actively involved in various mergers and acquisitions of both local and foreign banks. As part of his work experience he has helped grow the businesses/banks with which he was associated by creating capacity to endure, delivering better products and services that meet the needs of the customers, develop a sustainable environment and retain the trust and support of all stakeholders to develop those institutions into the best banks in Asia. He has also been a certified trainer from Cohen Brown for imparting training to senior managers in the field of wealth management, marketing/sales and leadership skills.

Mr. Umar has a keen interest in microfinance banking and entrepreneurial enterprises. He is also an avid golfer and a frequent traveler.

Mr. Umar was appointed as Member-BoM on July 8, 2014.

Mr. Umar Azim Daudpota

Other Engagements
Banker

PROFILES OF BOARD OF MANAGEMENT

Mr. Bilal Ejaz

Other Engagements
Chief Executive - Diamond Group of Industries

Mr. Bilal Ejaz is by profession a business man and industrialist. Combining a strong entrepreneurial streak with a focused work ethic, Mr. Bilal is renowned across the corporate world for his business acumen and entrepreneurial abilities.

Mr. Bilal serves is the Chief Executive and majority shareholder of various companies of Diamond Group of Industries including Diamond Foam, Diamond Rubber Mills, Diamond Tyres, Diamond Motors, Diamond Industries, Symbol industries etc.

Combining an in-depth knowledge of commercial activities with innovative business ideas, Mr. Bilal has helped build establish the companies of Diamond Group as a household name in the market. As part of these efforts, Mr. Bilal has ensured an enduring commitment to the group's twenty-five year old hallmark of quality and reliability towards its customers. A well-travelled individual, Mr. Bilal has travelled extensively world-wide with the aim of exploring and entering new markets for imports and exports.

Mr. Bilal was appointed as Member-BoM on July 8, 2014.

Mr Adeel Rauf has completed his B.SC degree in Electrical Engineering from University of Engineering and Technology Peshawar KPK Pakistan.

Professionally he is an industrialist with 24 years of experience in different sectors. He is currently the Managing Director of AYS Group of Companies, which includes AYS Commercial Corporation, AYS Electronics, AYS Homes and Khyber Match Factory (Pvt.) Ltd; the largest Safety Match manufacturing unit of Pakistan. The Khyber Match Factory has had the honor of winning the FPCCI Export Trophy Award for 10 years in a row. Other than this, Mr. Adeel also serves as the Director of multiple other ventures including Ciel Wood Works Pvt. Ltd. (An MDF and HDF Company) and Ocean Food Pvt. Ltd.

Mr. Rauf is the Former President Khyber Pakhtunkhwa Chamber of Commerce and Industry (KPCCI) and Industrialist Association Peshawar (IAP). He currently serves as a Board Member of Small Medium Enterprise Development Authority (SMEDA) and the Technical Educational and Vocational Training Agency (TEVTA) KPK. He is also the Vice Chairman of All Pakistan Match Manufacturer Association, a life member of the Federation of Pakistan Chamber of Commerce and Industry (FPCCI) and Chairman of Alternate Dispute Resolution Committee (Customs).

Mr. Adeel was appointed as Member-BoM on July 8, 2014.

Mr. Adeel Rauf

Other Engagements
Managing Director - AYS Group of Companies

Mr. Shahzad Saleem

Other Engagements
Chairman - Nishat Chunian Group (NCG) Director - Muslim Commercial Bank (MCB)
Member Board of Trustees and Head of Audit Committee- Lahore University of Management Sciences (LUMS)

Mr. Shahzad Saleem is the Chairman of Nishat Chunian Group (NCG) and holds a business degree from the Lahore University of Management Sciences (LUMS).With over 25 years of professional experience in the corporate world, Shahzad Saleem is one of the leading, dynamic CEOs in Pakistan. The Nishat Chunian Group (NCG) comprises of Nishat Chunian Limited, one of the largest textile mills in Pakistan as well as Nishat Chunian Power Limited; both are listed on the Lahore and Karachi Stock Exchanges.

Shahzad Saleem served on the board of Adamjee Insurance Company Ltd. from 2004-2009. He is on the board of Muslim Commercial Bank (MCB) since 1995 and has played a key role in the successful ventures undertaken by MCB including listing on the London Stock Exchange and sale of 20% of MCB to Maybank, Malaysia. In 1992, he also served as part of the team of consultants that arranged the financing and purchase of DG Khan Cement Company Ltd. under the government's privatization policy.

Mr. Shahzad is a member of the Board of Trustees of LUMS and heads the LUMS Audit committee. He also founded the LUMS Alumni Association and has served as its President; he is currently serving as the President of the SDSB Alumni Association.

Together with his family, Mr. Shahzad has also set up a Trust in memory of his father. The Trust runs an English medium school for underprivileged students and funds a 30 bed hospital for needy individuals.

Mr. Shahzad was appointed as Member-BoM onJuly 8, 2014.

Mr. Salman Ansari

Other Engagements
Consultant

Mr. Salman Ansari has over 45 years of professional experience in a wide variety of IT and Telecommunication, Technology, Policy and Software.

Over the course of his career, Mr. Salman headed the policy formulation team for Information Technology and Telecom Deregulation and ICT development in Pakistan during 2000-2003. This included work on major policy initiatives in e-Business and e-Commerce. He has worked on the design and implementation of Tier 3 Data Centers for major companies including the Sindh Revenue Board. He has worked on the design and implementation (ICT, Access Controls and Security) for Smart Buildings in Pakistan. He provided consulting services to various companies such as China Mobile (PTCL Privatisation, Strategy), PTA (Technology and Regulatory issues), Mobilink (Convergence and new IP based services), Multinet (Optical Fibre project, Strategy), STM Wireless (LDI) etc. He has developed reports and policy documents for the World Bank and the UNDP for projects worldwide. He was also instrumental in designing, setting up (including Technology Transfer) and heading Electronic and Telecom equipment manufacturing in Pakistan and R&D (Siemens/CTI).

He has worked as the Advisor to the Minister for Information Technology & Telecommunications (2000-2003) and have pioneered various initiatives such as telecom deregulation, major IT initiatives of the government, Cyber laws, etc). Mr. Salman has worked in senior positions (CEO, Director) with some major Telecom operators in the private sector including Mobilink, Internet (Supernet), Card Payphones (Telecard), Data Networks, VSAT, Wireless Local Loop (Paktel, GoCDMA, Supernet, etc) and Submarine Optical Fibre (FLAG/TWA1).

Mr. Salman headed the team which shaped the Telecom De-regulation Policy of Pakistan 2000-2003 and did extensive work with the Government in Policy, Regulatory issues and planning. He was a Member Electronics Commission, Member IT Commission, Five Year Plan Committees, Economic Advisory Board (EAB), etc. and was the author of Pakistan's first Electronics Policy in 2006 and National IT Policy in 2000.

Mr. Salman was appointed as Member-BoM on July 8, 2014.

PROFILES OF BOARD OF MANAGEMENT

Mr. Shahid Islam

Other Engagements
Consultant

Mr. Shahid Islam is a UK qualified chartered accountant and a management professional with over 40 years of diverse experience in senior executive / management roles, management consulting and external / internal audit. He is a Fellow Member of the Institute of Chartered Accountants in England & Wales and also a Fellow Member of the Institute of Chartered Accountants of Pakistan.

Mr. Shahid Islam brings to the table a well rounded set of strategic and tactical top management skill sets and has a track record of corporate turnaround, developing innovative solutions to management issues, corporate management skills (such as administrative, fiscal discipline, banking, loan and treasury operations, procurement & logistics), negotiation skills and managing disparate resources.

Mr. Shahid Islam has served in various positions with Pakistan International Airlines Corporation (PIAC) and its subsidiaries including terms as Managing Director PIAC, Director Finance and Information Systems PIAC, Managing Director PIA Holding (Private) Limited, Chairman / Chief Executive Officer of PIAC subsidiaries, Chief Internal Auditor PIAC as well as other senior positions in the PIAC Finance department. Prior to this after qualifying as a chartered accountant in early 1977, Mr. Shahid Islam provided freelance management consulting services in the UK and worked as an audit senior with M/s Deloitte & Co. office in the United Kingdom. Earlier in the past he has served as a Member on the Board of Directors of several companies.

Mr. Shahid Islam has also provided consulting services for a number of different businesses including in the aviation, manufacturing and services sectors. In this process he has mentored several business owners and managers for successful business turnaround and performance improvement in the areas of governance, management, operational activities, stakeholder interactions etc.

Mr. Shahid Islam was appointed as Member BoM, PSO on July 8, 2014.

Mr. Hussain Islam

Other Engagements
CEO - Al-Hamd International Container Terminal Vice Chairman - Karachi Port Trust (KPT)
Advisor to Governor Sindh

Mr. Hussain Islam holds a B.Sc. in Finance and a Master's Degree in law from Tulane University, U.S.A.

He is currently the CEO of Al-Hamd International Container Terminal which has a multi-million dollar foreign direct investment in Pakistan.

He is currently the Vice Chairman Karachi Port Trust (KPT) and Advisor to Governor Sindh. He is also the member of Provincial Advisory Board of the Home Department, Government of Sindh.

Furthermore, he has served as Advisor to National Accountability Bureau (NAB) from 2011 to 2013.

He is a member of Young President Organization (YPO), which has strength of 21,000 business leaders in more than 125 countries with a shared mission of better leaders through education and idea's exchange.

Mr. Hussain was appointed as Member-BoM on July 8, 2014.

BOARD AUDIT & COMPLIANCE COMMITTEE

CHAIRMAN	MEMBERS	SECRETARY
Mr. Shahid Islam	Mr. Umar Azim Daudpota Mr. Hussain Islam	Ms. Ayesha Afzal

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

The Committee shall, among other things, be responsible for recommending to the Board of Management the appointment of external auditors by the company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Management shall act in accordance with the recommendations of the Board Audit & Compliance Committee in all these matters.

The committee will also assist the Board in overseeing the Company's compliance program with respect to: (i) compliance with the laws; and (ii) compliance with the Company's Code of Conduct and related policies by employees, officers, directors and other agents and associates of the Company.

The terms of reference of the Audit & Compliance Committee shall also include the following:

AUDIT

1. Determination of appropriate measures to safeguard the company's assets;
2. Review of preliminary announcements of results prior to publication;
3. Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Management, focusing on:

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

4. Facilitating the external audit and discussion with external auditors on major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary)
5. Review of management letter issued by external auditors and management's response thereto;
6. Ensuring coordination between the internal and external auditors of the company;
7. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
8. Consideration of major findings of internal investigations and management's response thereto;
9. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
10. Review of the company's statement on internal control systems prior to endorsement by the Board of Management;
11. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Management, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
12. Determination of compliance with relevant statutory requirements;
13. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;
14. Recommending or approving the hiring or removal of the chief internal auditor;
15. Overseeing whistle-blowing policy and protection mechanism and
16. Consideration of any other issue or matter as may be assigned by the Board of Management.

COMPLIANCE

1. Review Code of Conduct and related policies applicable to employees, officers, and directors and other agents and associates of the Company at least annually and make recommendations to the Board as appropriate.
2. Provide oversight as needed to ensure that the Compliance program effectively prevents and/or detects violations by Company employees, officers, directors and other agents and associates of the Company law, regulation, Company policy, special conditions imposed on the Company by any licensing authorities, and the Code of Conduct.
3. The Whistle blowing unit will report to the Audit & Compliance Committee.
4. Review and evaluate, at least annually, the performance of the Committee, including compliance by the Committee with this Charter.
5. Review and assess, at least annually, the adequacy of this Charter and submit any proposed changes to the Board for approval.
6. Review resources assigned to the Compliance program to assess their adequacy relative to the program's effectiveness.
7. Receive such reports of relevant conduct, misconduct, and other issues as appropriate to the Committee.
8. Perform any other activities consistent with this Charter, and the Company's Bylaws and Certified of Incorporation, as the Committee may deem necessary or appropriate for the fulfillment of its responsibilities under this Charter or as required by applicable law or regulation, or as may be determined by the Board.
9. Do every other act incidental to, arising out of or in connection with, or otherwise related to the authority granted to the Committee hereby or the carrying out of the Committee's duties and responsibilities hereunder.
10. Notwithstanding any of the foregoing, the legal liability of any of the Committee members shall not be greater than that of other members of the Board.

BOARD FINANCE AND RISK MANAGEMENT COMMITTEE

CHAIRMAN	MEMBERS	SECRETARY
Mr. Bilal Ejaz	Mr. Umar Azim Daudpota Mr. Shahid Islam	Ms. Ayesha Afzal

TERMS OF REFERENCE OF BOARD FINANCE & RISK MANAGEMENT COMMITTEE

The Board Finance and Risk Management Committee primarily reviews the financial and operating plans of the Company and is responsible for overseeing the risk management activities, approving appropriate risk management procedures and measurement methodologies across the Company.

The Finance and Risk Management Committee's scope of work entails carrying out following activities and duties and recommending their findings to the Board of Management for approval:

1. Reviewing Corporate Strategy, Operational Plans and Long term Projections of the Company.
2. Reviewing Proposals / Feasibility Studies prepared by the management of all major projects.
3. Review the proposed annual Business Plan and Budget and endorsing the same for approval of Board of Management.
4. Identification and management of strategic business risks of the Company considering the general economic conditions of the country, competitive realities and scenarios and ensuring that risk management processes and cultures are embedded throughout the Company.

5. Providing regular update to the Board of Management on key risk management issues and its proposed mitigating factors.

6. Considering investments and disinvestments of funds outside normal conduct of business and reviewing cash and fund management policies and procedures.

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

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

CHAIRMAN
Mr. Umar Azim Daudpota

MEMBERS
Mr. Adeel Rauf
Mr. Hussain Islam
Mr. Salman Ansari

SECRETARY
Ms. Ayesha Afzal

TERMS OF REFERENCE OF THE BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

The committee will be responsible for making recommendations to the Board for maintaining:

- A sound plan of organization for the company.
- An effective employees' development programme.
- Sound compensation and benefits plans, policies and practices designed to attract and retain the calibre of personnel needed to manage the business effectively.

The terms of reference of the Committee shall also include the following:

1. Review organization structure periodically to:
   a. Evaluate and recommend for approval of changes in the organization, functions and relationships affecting management positions equivalent in importance to those on the management position schedule.

   b. Establish plans and procedures that provide an effective basis for management control over company manpower.

   c. Determine appropriate limits of authority and approval procedures for personnel matters requiring decisions at different levels of management.

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

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

ROLE OF CHAIRMAN AND MANAGING DIRECTOR

Chairman of the Board is responsible to ensure that the Board is properly working and all matters relevant to the governance of the Company are placed on the agenda of Board Meetings. The Chairman conducts the Board meeting including fixing the agenda. The Chairman has the responsibility to lead the Board and ensure its effective functioning and continuous development. The Chairman has no involvement in day-to-day operations of the company.

The Managing Director and Chief Executive of the Company is responsible for the management of the Company and for its financial and other matters, subject to the oversight and directions of the Board. His responsibilities include implementation of strategies and polices approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

MD's performance is monitored and evaluated by the Board against the objectives and performance targets set by the Board.

MANAGEMENT COMMITTEE (MAN-COM)

CHAIRMAN	MEMBERS	SECRETARY
MD	DMD(s), SGM(s), GM(CP)	DGM(CP)

Man-Com is a business strategy committee, which meets primarily to steer and review all key projects from conceptualization to implementation. Man-Com also reviews budgetary proposals and weeds out non-essential ones. Upon its approval, a _nal business plan is prepared and sent out for Board approval. It also reviews major business issues and takes decisions accordingly.

EXECUTIVE COMMITTEE (EX-COM)

CHAIRMAN	MEMBERS	SECRETARY
MD	DMD(s), SGMs, GMs, HODs	DGM (CP)

The Ex-Com is another high-level committee that meets to review the day-to-day company affairs. The Ex-Com members share the problems as well as key accomplishments at this forum.

COMPENSATION, ORGANIZATION & EMPLOYEE DEVELOPMENT COMMITTEE (COED):

CHAIRMAN	MEMBERS	SECRETARY
MD	DMD(s)	GM (HR)

The COED reviews matters pertaining to human resources such as recruitment, transfers, disciplinary actions, promotions and employee benefits

BUSINESS CONTINUITY PLANNING AND SAFETY PROCEDURES FOR DATA PROTECTION

Cognizant of its role as the nation's leading fuel supplier, PSO has developed rigorous crisis management plans to ensure continuity of its business operations in case of any unforeseen circumstances.

As part of its efforts to ensure business continuity, PSO has developed a thorough disaster recovery which entails backup facilities at Lube Manufacturing Terminal Karachi and Kotlakhpat (Lahore) which are managed by the dedicated teams of Information System department . This backup plan is tested periodically by conducting Disaster Recovery Drills, which simulate a disaster at the primary site and activation of backup sites for conducting business. Moreover, each department has identified areas of high risk that could hamper their departmental function in case of disaster in the form of detailed Standard Operating Procedures (SOPs) and ready reference checklists.

Accordingly departments have identified and prepared action plans to manage strategic business risks of the company considering the general economic conditions, competitive realities and possible scenarios and ensuring that risk management process and culture are embedded throughout the company.

By developing such plans, PSO has ensured that all critical data and information remains intact at all times to ensure operational continuity.

COMMITMENT TO ETHICAL BUSINESS CONDUCT

Committed to maintaining the highest standards of accountability, governance and service quality, PSO ensures adherence to the ethical guidelines laid out in the Company's code of conduct.

With a strong belief that it is fundamental to the Company's professional integrity to enable individuals to voice their concerns regarding any instance of malpractice or impropriety, PSO has implemented a Whistle Blowing Policy. Through this initiative a Whistle Blowing Unit reporting directly to Board Audit Committee has been established.

This policy lays out the procedures for lodging and handling of concerns, reporting requirements while also ensuring the identity protection of whistle blowers. A reporting mechanism has also been placed on company's website for easy accessibility to all parties. By implementing this policy, PSO has encouraged both internal and external parties to intimate the Company regarding any instance of improper conduct without fear. Monitoring of the effectiveness and compliance of the Whistle Blowing Program is carried out by the Board Audit Committee.

REPORT OF AUDIT COMMITTEE

The Audit Committee including its Chairman comprises of five non-executive members. The Chairman of the committee has relevant financial and accounting background.

The Committee met six times during the year ended June 30, 2014.The meetings of the committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code of Corporate Governance (CCG). Meetings were also held to review other matters as per the Terms of Reference (TOR) of the Committee.

Regular attendees at Committee meetings, on the invitation of the Committee, included the Head of Internal Audit / Chief Audit Executive (CAE) and Chief Financial Officer (CFO). The Committee also met the External Auditors separately in the absence of CAE and CFO to get their feedback on the overall control and governance structure within the Company.

The Head of Internal Audit has also direct access to the Committee. Audit observations along with the compliance status are regularly presented to the Committee.

The role of the Head of Internal Audit is to ensure compliance of the TOR of the Board Audit Committee as approved by the BOM. The functions performed by the Committee are given below:

FINANCIAL REPORTING:

The Committee reviewed and recommended for BOM approval, the draft annual and interim results of the Company. The Committee discussed with the CFO, CAE and the external auditors' the significant accounting policies, estimates and judgments applied in preparing the financial information.

ASSESSMENT OF INTERNAL AUDIT FUNCTION AND THE REVIEW OF MAJOR AUDIT OBSERVATIONS:

The Committee has an established process to review the effectiveness of the Internal Control system and the Internal Audit function. The Committee reviewed and approved the risk based internal audit plan covering all the business activities. Furthermore, the Committee also reviews, on a quarterly basis, the status of planned versus actual audit activities.

The Committee also reviewed the major internal audit observations and the status of decisions made in the previous Committee meetings. The Committee recommends improvements in internal controls and gives directives for corrective actions where required.

WHISTLE BLOWING:

As per the Whistle Blowing Policy approved by BOM, Committee is entrusted with the responsibility to monitor the effectiveness of the whistle blowing unit. Quarterly report on the Complaints received vis-a-vis the action taken was presented in the Committee meetings. For the year ended June 30, 2014, 45 complaints were reviewed by Whistle Blowing Unit and reported to Board Audit Committee.

REVIEW OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE:

The Committee places great importance on ensuring compliance with the best practices of the CCG. In this respect, the Committee annually reviews the Company's Compliance with the CCG. The Committee reviewed the Statement of Compliance with the Code of Corporate Governance to be published in the Annual Report.

APPOINTMENT OF EXTERNAL AUDITORS:

As per the requirements of the CCG and the TOR approved by the BOM, the Committee recommended, for BOM approval, the appointment of external auditors and their remuneration. The Committee also reviewed the work undertaken by the external auditors and assesses their independence, objectivity and performance.

REVIEW OF EXTERNAL AUDITORS' MANAGEMENT LETTER:

The Committee also reviews the Management Letter issued by the external auditors' wherein control weaknesses are highlighted. Compliance status of previously highlighted observations by the external auditors' is also reviewed and corrective measures are discussed to improve overall control environment.

STAKEHOLDER RELATIONS AND PROCEDURES ADOPTED FOR THEIR ENGAGEMENT

PSO recognizes the value of transparent and open communications with all its stakeholders in line with regulatory considerations and ensuring maintenance of corporate confidentiality. We acknowledge that consistent, coherent and clear communications help to establish sound reputation of the Company and its management. Accordingly, PSO aims to promote dialogue with investors, analysts and other stakeholders.

The wide stakeholder community includes but not limited to following:

a) Institutional Investors and other shareholders

The Company follows best practices and guidelines with respect to maintaining investor relations and conducts security analyst briefings on a quarterly basis. The purpose of the briefing is to share details pertaining to quarterly results announced and to respond any analyst queries relating to current results and future prospects. Furthermore, PSO engages with a wide group of shareholders through the Annual General Meeting and dispatch of Annual Reports, which include comprehensive update on financial and operational footprints of the Company.

b) Media

We engage with the print and visual media through regular press releases on its key achievements, periodical results and other corporate events.

c) Government and Regulating bodies

PSO continually engages with Government of Pakistan and regulatory bodies at local, provincial and federal levels. The PSO's senior management is in close liaison with government officials on various issues with respect to the Company and oil industry.

d) Other Stakeholders

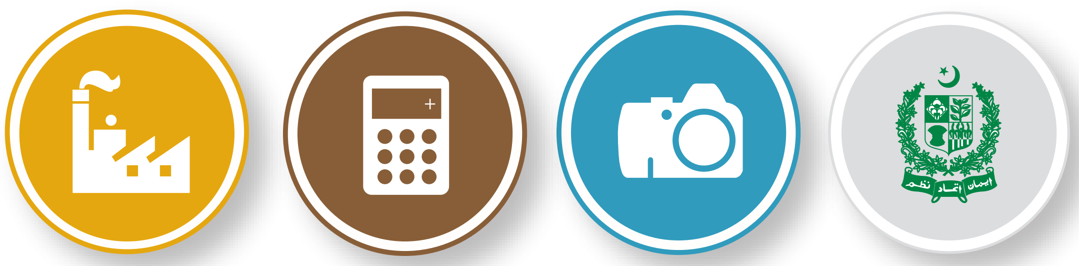
Other stakeholders include bankers, suppliers, customers and employees. PSO engages with these stakeholders on a regular basis through effective use of internal and external communication.

WEBSITE

The Company's web site www.psopk.com offers a detailed overview and information of the following aspects of your company:

- Business lines, its operational aspects and current activities.
- Board of Management as well as the management team.
- Procurement activities
- Periodical financial results and other financial information
- Human Resource recruitment
- Media engagement

It is also highlighted here that the PSO's website fulfills the mandatory requirements as laid down by the SECP for all listed companies.



REPORT TO SHAREHOLDERS

The Board of Management (BoM) of Pakistan State Oil Company Limited (PSOCL) has reviewed the performance of the Company for the Financial Year ended June 30, 2014 (FY 2014) and is pleased to present its report thereon.

In the period under review, PSO recorded all time high sales revenue, profit after tax and earnings per share. Sales revenue stood at Rs 1.4 trillion compared to Rs 1.3 trillion during the Same Period Last Year (SPLY), registering a growth of 9%. After tax earnings rose by 73% to Rs 21.8 billion as compared to Rs 12.6 billion during SPLY. Earnings per share increased to Rs 80.31 from Rs 46.52 during SPLY.

PSO maintained its market leadership position during the year under review with 73% share in Black Oil market and 53% in White Oil market, while registering a growth of 5% in sales of liquid fuels over last year. The Company realized substantial cost efficiencies, whereby the administration, distribution and marketing expenses increased merely by 3% as compared to 14% average increase in expenses over the last three years and against an inflation of 8.5% during FY 2014.

Recovery of interest from power sector consumers and interest on Pakistan Investment Bonds also contributed towards increase in the bottom line, which was nevertheless, mitigated by increase in finance cost by 26% due to power sector receivables viz-a-viz circular debt and net exchange loss of Rs. 1 billion due to devaluation of PKR. The BoM expressed concern over increasing receivables from the power sector and advised the management to pursue the recovery thereof through continued follow-up with the customers and the concerned government offices.

Based on this performance, the PSO BoM announced a final cash dividend of Rs. 4 per share in addition to the earlier interim cash dividend of Rs. 4 per share (equivalent to 80%) and issuance of bonus stock at the rate of 10%. Combined with the earlier interim cash dividend the total cash dividend for the year stands at Rs. 8 per share.

The Board unanimously resolved to place on record its commendation for the management of PSO, particularly Mr. Amjad Parvez Janjua MD-PSO, for achieving outstanding yearly's results for the Company, which are all time high in the history of PSO. The Board also resolved to appreciate the PSO team on maintaining continuity of supply of petroleum products across the country, especially, during Eid, Ramazan and periods of civil disturbance. The Board also extended gratitude to the Government of Pakistan, particularly ministries of Petroleum and Natural Resources, and Finance for the support and contribution they extended to PSO which enabled the Company to achieve its business and performance objectives.

The management expressed gratitude for the valuable guidance and support provided by the BoM and assured the Board of the continued commitment and contributions of PSO team towards development and growth of the Company.

GLOBAL & DOMESTIC ECONOMIC OVERVIEW

The global economic activities have broadly strengthened and are expected to improve further in FY 2015, with much of the impetus coming from advanced economies as per IMF's World Economic Outlook April 2014. Global growth (GDP) is projected to close at about 3.6% in 2014 as against 3% in 2013. For year 2015, GDP growth is projected to be around 3.9%. In emerging markets and developing economies, the growth is projected to pick up gradually from 4.7 % in 2013 to around 5% in 2014 and 5.25% in 2015. It will be supported by stronger external demand from advanced economies, but tighter financial conditions will dampen domestic demand growth.

Global Inflation pressure is generally expected to stay subdued. Activity remains substantially below potential output in advanced economies, whereas it is often close to or somewhat below potential in emerging market and developing economies where inflation is expected to decline from about 6% currently to about 5.25% by 2015. In low-income developing economies, softer commodity prices and careful monetary policy tightening have helped lower inflation from about 9.8% in 2012 to 7.8% in 2013. Based on current policies, inflation is expected to decline further to about 6.5%.

IMF World Economic Outlook 2014 projects strong oil demand and sustained high prices are expected in 2014. The report projects the price of oil to be $104.17 a barrel in 2014 and $97.92 a barrel in 2015.

Prices have been held up by mounting OPEC supply pressures - notably due to; a) disruptions in Libya, Nigeria, Syria, and Yemen; b) sanctions against Iran; c) positive U.S. economic news; d) Libyan production remains at low levels; with the prospects to return to higher production in the near future highly uncertain; e) Rising tensions around Russia and Ukraine have also increased the perceived risk of a potential future oil market disruption.

Pakistan's Economy has shown growth in the outgoing fiscal year which is the highest achievement since FY 2009 as per Economic Survey of Pakistan FY 2014. Stability in inflation, improvement in tax collection, reduction in fiscal deficit, rise in foreign reserves and strengthening of Rupee contributed in acceleration in the performance of Pakistan's Economy as compared to previous year.

As per the Economic Survey of Pakistan FY 2014, GDP growth rate in Pakistan for FY 2014 is projected 4.1% as compared to 3.7% in FY 2013, whereas, inflation increased to 8.7% in FY 2014 as compared to 7.7% in FY 2013. Fiscal deficit is estimated to be around 6.3% of GDP as compared to 8.2% in the previous year. Trade deficit has been around $13.2 billion. Import value of petroleum products decreased by 3.9% while import volumes increased by about 5.9% showing some decline in the prices.

Pak Rupee recorded an appreciation of 1.1% in Jul-Mar FY 2014, compared to 3.8 percent depreciation in the same period last year. As a result, the exchange rate by end of June, 2014 is recorded at Rs.98.77 against Rs.99.66 per US $ at end-June, 2013.

PETROLEUM INDUSTRY OVERVIEW

Consumption of petroleum products in Pakistan grew by around 8.7% from 19.5 million MTs during FY 2013 to 21 million MTs during FY 2014 as a result of an increase in consumption of White Oil products by 5.5% and that of Black Oil products by 12.9%. During the year, CNG consumption recorded a decline of around 12% over the last year due to CNG load shedding. In White Oil, Mogas consumption grew by around 15.2%, whereas HSD consumption recorded an increase of 1%. SKO consumption registered an increase of 5.8% and JP-1(domestic sale) increased by 2.7%, primarily due to increased upliftment by domestic carriers.

LDO recorded an increase of around 38.2% over FY 2013. FO consumption increased by 12.8% mainly due to higher demand for electricity generation by private power producers and public sector generation units. Various efforts towards resolution of circular debt issue were made however, this issue remounted in the latter part of the financial year.

The intensity of competition in oil market increased with aggressive participation of the new Oil Marketing Companies (OMCs) mainly backed by refineries. A significant development in the industry during the year was sale of Chevron shares in Chevron Pakistan Limited to Total Parco Pakistan Limited.

The overall downstream oil market in Pakistan remained competitive during FY 2014 with a thrust on discount offers by the OMCs, mainly in Mogas and HSD. PSO maintained its leadership in all major products despite intensive competition.

PSO BUSINESS PERFORMANCE

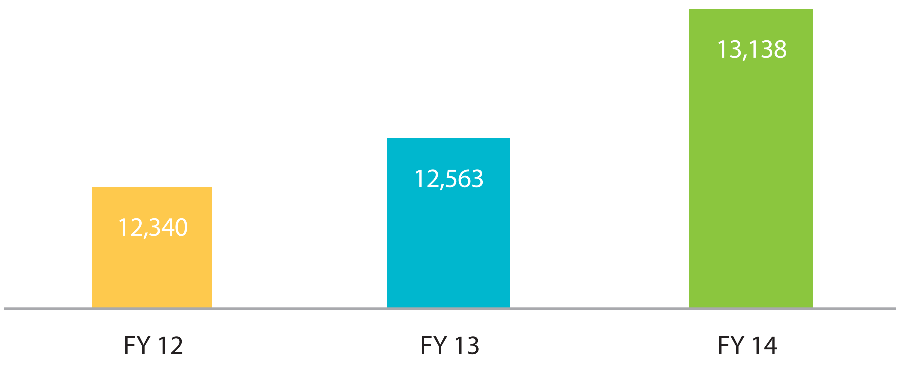
PSO crossed 1.4 trillion mark in sales revenue and retained leadership in oil market of Pakistan with 73% share in Black Oil and 53% share in White Oil. The most consumed petroleum products in Pakistan, by volume, are Furnace Oil (FO) in Black Oil, and HSD and Mogas in White Oil categories. The biggest demand of FO has been in power sector whereas that of HSD and Mogas has been in agriculture and transport sectors respectively.

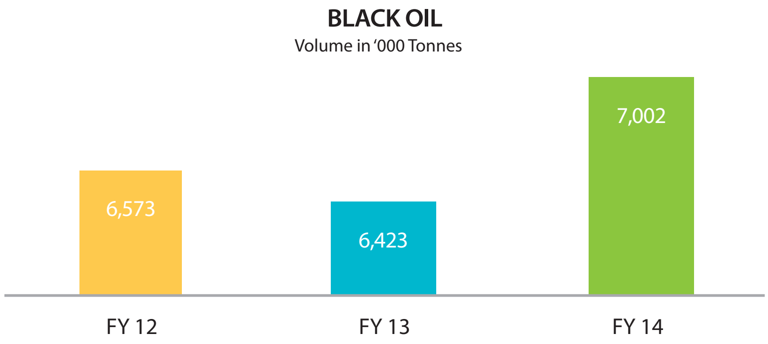
Based on detailed due diligence, PSO devised and implemented a strategy to pursue profitable growth in petroleum products. Accordingly, the Company merged the critical aspects of both the internal financial review and external market reconnaissance to strike an effective balance between volumetric sales and profitability, whereby offers of sales incentives viz-a-viz discounts were limited and focused on robustness of business cases. This smart selling approach to achieve the objectives of market leadership and sales volume enhancement, with due consideration to bottom-line and liquidity position, enabled the Company to increase its gross profit by 2.7 billion, i.e. 8% increase over the previous year.

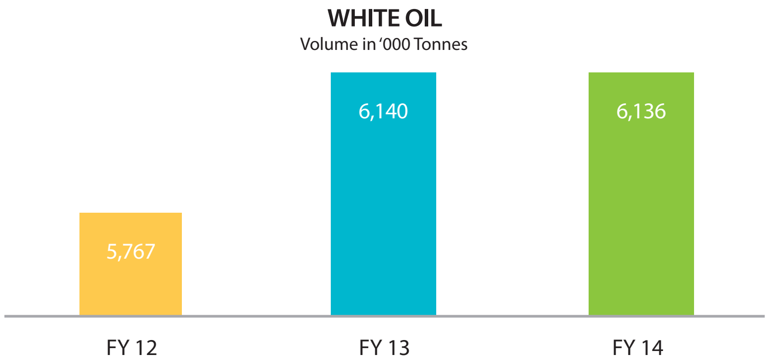
The supply of FO, the major Black Oil product, was restrained in face of extraordinary demand and the liquidity issues posed by the circular debt situation, while increasing sales volume by 9% in this product line. In HSD, the major White Oil product, the Company rationalized the discounts/incentives and limited their offering to the cases where business value could be established. The overall sales volume during FY 2014 has been 13.14 MMTs against 12.56 MMTs during FY 2013.

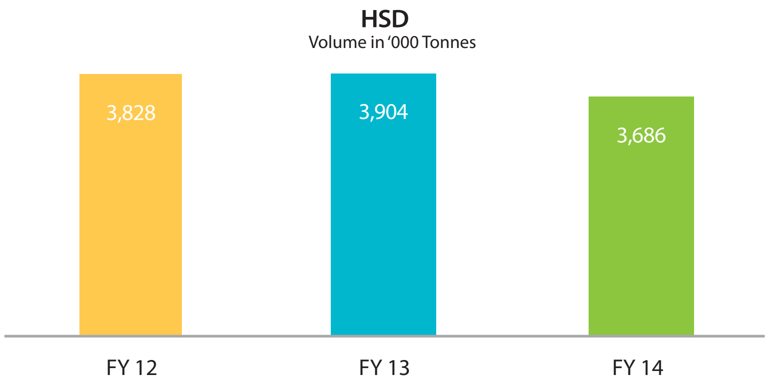
TOTAL LIQUID FUELS

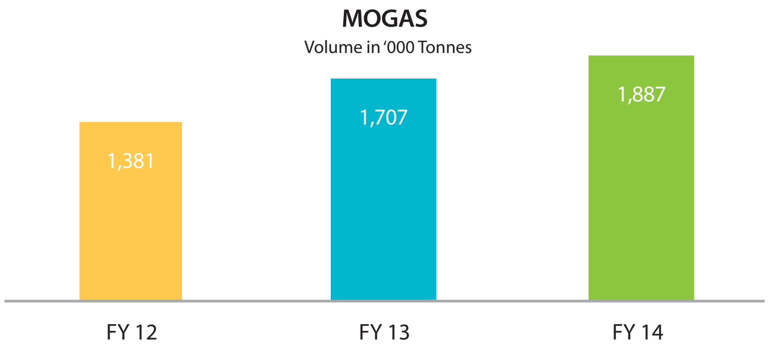
Volume in '000 Tonnes




BLACK OIL
Volume in '000 Tonnes
6,573
6,423
7,002
FY 12
FY 13
FY 14


WHITE OIL
Volume in '000 Tonnes
5,767
6,140
6,136
FY 12
FY 13
FY 14


HSD
Volume in '000 Tonnes
3,828
3,904
3,686
FY 12
FY 13
FY 14


MOGAS
Volume in '000 Tonnes
1,381
1,707
1,887
FY 12
FY 13
FY 14

SUPPLY

During FY 2014, PSO sourced 12.95 Million Metric Tons (MMTs) of POL products to meet the energy requirements of the country. Out of this total, 2.90 MMTs was procured from local refineries while the remaining bulk volume of 10.05 MMTs was arranged through imports comprising of 2.57 MMTs HSD, 6.01 MMTs Furnace Oil (HSFO: 4.99 MMTs, LSFO: 1.02 MMTs), 1.44 MMTs Motor Gasoline and 0.02 MMTs JP-1.

The total PSO import volume accounted for more than 87% of nationwide refined product imports of 11.5 MMTs. Furthermore, hospitality to refineries and OMCs was provided and storage facility was extended to new prospective entities resulting in sizeable earnings during the fiscal period.

LOGISTICS

Committed to meeting the energy needs of the nation in a timely and responsible manner, PSO maintained uninterrupted POL supplies to all its customers including defense, power, retail, industrial, aviation and marine customers throughout the year.

In view of the increasing shutdown of Compressed Natural Gas (CNG) supply and the subsequent increase in demand for Premier Motor Gasoline (PMG) across the country, PSO in FY14, arranged movement of 1.60 MMTs of PMG through tank lorries to various locations nationwide with the highest movement recorded in November 2013 where 0.15 MMTs of PMG was transported resulting in maintaining of optimum level of inventory at all depots / installations. Similarly, keeping in view the criticality of continual fuel supply to the power sector, PSO ensured round-the-clock fuel product availability to power sector customers.

Furthermore, the Company continued its policy of upgrading tank lorries in line with Association For Transportation of Dangerous Goods by Road (ADR) and Oil & Gas Regulatory Authority (OGRA) standards. During the year, 296 tank lorries were upgraded and brought the total of the upgraded tank lorries to 3,345 vehicles which represents 43% of the total available fleet. During FY 2014, the Company worked to revive the process for transporting petroleum products through the rail network with and increased tank wagon utilization by 200% in comparison to the previous year.

In view of heavy reliance on road movement to deliver products, a comprehensive program named as "Road Transport Management" was developed to improve safety standards for tank lorries and their crew. Sessions on safe driving practices were conducted which were attended by more than 200 tank lorries owners, drivers / cleaners and cartage contractors. Officials from the Motorway Police also participated in these conferences.

OPERATIONS

During FY 2014, PSO continued its efforts to streamline its operational activities to make them ever more economical, efficient and customer-oriented.

As part of these efforts six (06) petroleum product storage and handling depots have been reopened nationwide in order to help meet increasing market demand. Additional land has also been acquired at Lalpir depot to enhance handling and storage capacity for smooth supplies to power sector customers. Furthermore, Motor Gasoline handling facilities have been enhanced at Keamari Terminal B, Kotlajam, Tarujabba, Chakpirana and Shikarpur installations to meet the increased demand. Filling of High Speed Diesel (HSD) at JIMCO has been resumed to meet the demand of Pakistan Railway while a crude oil decantation facility has been set up at Zulfiqarabad Oil Terminal.

With an objective of improving operational efficiency, PSO has carried out rehabilitation of tanks and tanker discharge pipelines at various installations to ensure uninterrupted and accident free tanker discharge operations. The Company has also endeavored to improve safety and security of operational locations by installation of security systems.

RETAIL BUSINESS

In the period under review, MOGAS sales volume of PSO registered an increase of 10.5% as compared to the preceding year. The Company maintained its market leadership in Mogas with a market share of 49%. Despite intensifying competition in oil market among existing players and new entrants, PSO retained its market leadership position while successfully devising and implementing a strategy of optimizing the sales of major petroleum products to strike an effective balance between growth and profitability.

As part of its efforts to automate and streamline the sales order process in order to enhance efficiency and efficacy in various processes, the Company has implemented Online Ordering Management System (OOMS) at various retail outlets. This system has been successfully implemented at 400 retail stations nationwide and is being introduced at remaining outlets. The Company inaugurated thirty-eight (38) new state of the art retail outlets at strategic locations in order to further enhance its sales network

nationwide. Furthermore, six (06) retail outlets were upgraded as per the New Vision Retail Outlet (NVRO) Program.

As part of its customer engagement activities for enhancing the Company's image and ensuring sustainable business growth, forecourt Customer Services sessions were successfully conducted at selected retail outlets. A number of sales promotion campaigns were also carried out to boost sales including a generator oil campaign which included a lucky draw competition as well as complimentary giveaways for customers who visited retail outlets on Customer Care Days.

As part of its commitment towards ensuring employee safety, PSO carried out refresher courses for Safety Wardens at retail sites. A series of sales management workshops were also organized with the aim of strengthening the effectiveness and performance of trade staff by keeping them fully abreast with best industry techniques and methods.

AVIATION, MARINE & EXPORTS DEPARTMENT

During the period under review, AM&E business line recorded sales volume of 521,174 MTs which was 6% higher in comparison to the same period last year (SPLY).

PSO also entered into a 5 years exclusive agreement with M/s Air Indus for provision of Jet Fuel at all the nationwide airports where PSO exists. During FY 2014, a quantity of 13,562 MTs was sold to them. The business of Turkish Airlines was also recaptured at Karachi airport while standing agreements with sixteen (16) customer airlines were renewed during the period including Saudi Arabian, Air Arabia, Thai international and Fly Dubai.

PSO also successfully fuelled 480 Hajj Flights for a total volume of 12,791 MTs. PSO won the into-plane fuel supply tender of the Army at all airports including those which were previously with the competitors. As a result, sales volume to Pakistan Army will increase by approximately 155%.

The Company also executed a five (05) year agreement with Pakistan Navy for supply of High Speed Diesel (HSD). PSO will be the sole supplier of HSD to the entire sea-going fleet of the Karachi Port Trust (KPT) during FY 2015.

CONSUMER BUSINESS

During the period under review, PSO fulfilled its commitment of ensuring consistent fuel supply to the Power Sector despite several financial and operational challenges.

PSO continued to lead the Furnace Oil market with around 73% market share. The Company worked with key business partners including Pakistan Railways and Frontier Works Organization (FWO) to resolve payment bottlenecks and successfully recovered longstanding payments from various customers including significant amount of financial charges from the Power Sector and GLMP claim from K-Electric.

The Company also signed a Fuel Supply Agreement with Nandipur Power Project. In addition to this, the Company won significant tenders including 100,000 MTs of fuel to the Army as well as a tender for supply of 2.7 Million liters of lubricants to Pakistan Railway.

GASEOUS FUELS

CNG

In the period under review, PSO maintained its leadership position amongst OMCs in the CNG industry. This entailed holding 22.5% of the total market share in CNG, despite a continued ban on issuance of CNG Station Licenses and increased gas load shedding.

With an eye towards ensuring provision of proper quantity and quality products to its customers, PSO carried out one hundred and two (102) inspection visits at various CNG stations in FY 2014. Additionally, the Company has ensured maintenance of safety standards at its CNG stations through regular HSE inspections. During FY 2014, three hundred (300) inspections were conducted on eighty-six (86) CNG stations in thirty-eight (38) cities.

LPG

During FY 2014, the PSO LPG Pak Gas (Bottling Business) and Smart Gas (Autogas business) made continual efforts to make best use of available LPG product with prudent pricing and maintaining efficient inventory management to maintain its market presence in the face of considerable industry challenges. However, based on actual availability of LPG, PSO market share was at 2.3%.

PSO also lodged applications for the establishment of sixty three (63) LPG Autogas Refueling Stations to OGRA while PSO has been issued forty (40) LPG Autogas Provisional Licenses for the construction and establishment of LPG Autogas Stations.

This would augment PSO's existing Retail Outlets with LPG product across Pakistan. All LPG operational activities are HSE compliant to ensure employees safety wherein HSE Day & Awareness sessions were held at all LPG Plants nationwide.

CARDS

Committed towards providing added convenience and greater facilities to its customers, PSO launched its fuel-based credit cards during the year to cater the needs of the market. Accordingly, the Company aim to enhance profitability by obtaining long–term loyalty of existing customers as well as acquiring new potential customers through continued emphasis on more secure and efficient, technology-driven offerings.

During FY 2014, PSO Cards business crossed Rs 1.5 billion mark in terms of collateral through additional security deposits and continuing bank guarantees. During this period, further value-addition was offered to the customers in the form of e-mail and SMS-based services for updating customers regarding fuel transactions carried out on their fuel cards. Customer focus, technology and innovation being the hallmark of PSO's success story, the transition of fuel cards from the mag-stripe format to the chip-based smart card, reaffirmed PSO's leadership position in the cards market by offering a far more secure and dependable solution. In line with this, approximately 120,000 cards being availed by over 6,000 corporate customers have been converted to the chip-based smart card format.

Furthermore, steps were taken to consolidate the fuel cards business by renewing strategic agreements with various telecom companies including Mobilink and Telenor.

LUBRICANT AND AGENCY TRADE

During FY 2014, PSO recorded sales of 33,944 MTs with the High Street segment witnessing a positive growth of 4% over the same period last year. The High Street segment successfully covered over 21,000 shops across Pakistan. Other initiatives undertaken included the launch of consumer promotion campaigns including the 'Carient Free Fuel Campaign' and the 'Buy and Win Generators with Generator Oil" competition to generate brand trial and awareness amongst the consumers. The 'Independent Workshops' Project was also executed with PSO branded private service stations and workshops in the High Street market. Your Company has successfully converted one hundred fifty (150) workstations into PSO branded shops which served as effective tools in inducing trial, attracting prospective customers, brand building and raising product awareness levels.

NON-FUEL RETAIL

During FY 2014, Non-Fuel Retail business continued to expand on its business footprint. This was accomplished through continuation of various strategic initiatives undertaken over the previous year as well as introduction of new propositions to give this business segment a more composite and futuristic direction. These activities include nationwide deployment of fifty (50) ATMs at PSO retail outlets with placement of another thirty (30) in process. Business alliances with partners in the beverage, tobacco and banking sectors were successfully renewed while due diligence was carried out on business possibilities in the E-Banking, Agri and Advertising segments for the purposes of leveraging presence of PSOs diverse retail network.

CUSTOMER SERVICES

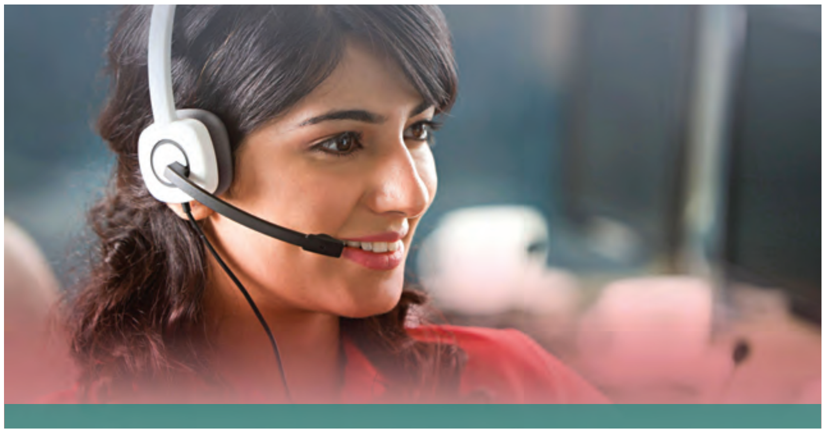
Striving for ever more customer satisfaction, PSO's Customer Services Department provides after sales, complaint and query services to existing and new customers. The Department is a full- fledged inbound outbound call centre that ensures all calls are answered before the pre-defined threshold time.

During FY 2014, a total of 854,565 Customers were served via outbound/inbound calls, e-mails, faxes and Automated Lubricant Secure Code Application through SMS Service. Ta'aluq Customer Services is a major source of earning brand equity for the company and goes beyond all means to satisfy customers.

INFRASTRUCTURE CONSTRUCTION DEPARTMENT

During FY 2014, PSO carried out the ground breaking ceremony for the new Hyderabad depot at Tando Alam to further strengthen its infrastructure network. The Company has also formally completed all construction activities at the new Faisalabad depot and final testing and commissioning activities are being planned to commence operational activities from the location. The Company has also constructed a new standardized gantry for filling and decantation of tank lorries at Quetta depot, which is also under commissioning stage.

Rehabilitation of existing infrastructure was also undertaken at the railway wagon tracks at Lalpir depot and reconnected to the main railway network. Additionally storage tanks at Sihala depot, Zulfiqarabad Oil Terminal and Lubricant Manufacturing Terminal were also refurbished. PSO Infrastructure Department maintained its certification of being ISO 9001:2008 compliant during the year.



RETAIL CONSTRUCTION

During FY2014, PSO successfully built and commissioned forty-four (44) new retail outlets in line with its New Vision Retail Outlet program. This number exceeded the set target of thirty (30) new outlets in the year by approximately 47%. Additionally in order to facilitate sales of petroleum products to motorbikes, three hundred and fifty (350) biker lanes were developed at existing outlets during the year.

INTERNAL AUDIT DEPARTMENT

During the period under review, PSO undertook efforts to bring about a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. As part of these efforts, PSO has undertaken a continual review of all departments and locations as per the risk-based audit plan, provision of fax-server solution for Whistle-Blowing Unit for lodging and handling of concerns and preparation of quarterly/annual accounts analysis for review by the Board Audit Committee. In addition to this, the Company's multi-faceted audit management software"Team Mate" was also upgraded to version 10.4 to help increase coverage of all audit activities.

PROCUREMENT & SERVICES

During FY13-14, PSO carried out an in-depth study of procurement workflows across different industries and companies to identify bottlenecks and benchmark internal processes / systems with best corporate practices. A road map has been developed for rolling out the Annual Procurement Plan to allow effective management of company wide purchasing activities.

PSO's efforts for transparent and cost effective procurement has been appreciated at various forums including the "Institute of Tender Management" which has appreciated PSO's tender activities as one of the best in the industry.

INFORMATION COMMUNICATION & TECHNOLOGY

Committed to introduction and implementation of new technologies for continuous process improvement, PSO is moving ever forward on the technological front. Some of the major initiatives undertaken in this regard during the year include:

Dispatch Management System

The Company has developed a centralized web-based mail dispatch management system to effectively and efficiently manage the inflows and outflows of local and international hard copy dispatches across the country. By consolidating data on volume, weight and rates into one database, PSO has been able to implement effective cost control measures.

Online Order Management System

PSO has implemented a self-developed Online Order Management System to automate and streamline retail customer order processing. Dealers can now place orders on an online portal, make payments and view the status of their orders on a real time basis. The auto-payment feature of this system synchronizes PSO's payment collection system with the national banking network to help the Company minimize its operational cost and establish an automated control environment for its sales and distribution network.

Server Virtualization

PSO has implemented server virtualization technology to run multiple applications through a single server resulting in better utilization of hardware resources and power cost savings.

Storage Up-gradation

The Company has implemented usage of Solid State Drives (SSD) for improving SAP ERP performance. SSD allows for faster transaction and reporting performance of SAP system by increasing system throughput and reducing response time.

Asset Management Solution

PSO has implemented an asset management solution based on Microsoft Configuration Manager to maintain a full inventory of hardware, software being used by the Company as well as monitor software license compliance.

Network Infrastructure Upgrade (Stage 2)

Another landmark accomplished over the past year was successful completion of Stage-2 of the Network Infrastructure up-gradation plan. All Divisional offices along with 20 depots/ installations are now connected through Fiber cables resulting in enhanced network resiliency. The PSO Disaster Recovery sites are also now connected through fiber-optic cables to the Head office resulting in faster replication among core servers and backup servers.

QUALITY ASSURANCE

Committed to providing quality products in right quantities to its customers; PSO is striving to continuously improve quality control measures across the board. During FY 2014, Mobile Quality Testing Units (MQTUs) carried out quality inspection visits to multiple PSO locations. This included twenty eight thousand nine hundred and seventy three (28,973) visits to retail outlets, two hundred and ninety (290) visits to installations and depots and one hundred and two (102) visits to CNG stations across Pakistan.

With the objective of developing Lube blends providing superior quality lubricants to valued customers, PSO laboratories are carrying out extensive research and development. During this year, three hundred and fifty one (351) pilot lab blends were prepared for various products including lubricants/ LDO & Bio Diesel. PSO has also expanded its testing capability for gasoline and lubricants through the induction of new machinery at its laboratories.

Steps have also been taken to enhance operational transparency including introduction of continued implementation and improvement of the Laboratory Information Management System (LIMS). This system allows all laboratory related information to be consolidated into a single portal accessible to Company officials as well as business partners. In order to effectively manage the new equipment, training sessions were also conducted for the relevant employees.

PSO Laboratories participated in the International Laboratory Correlation Program conducted by Castrol, which validates testing skills and equipment performance of the participants through various certifications and standards.

During FY 2014, ISO 9001: 2008 Quality Management System Certification was earned by sixteen (16) PSO departments while ninety-eight (98) facilities and locations across Pakistan have also been ISO certified.

HEALTH, SAFETY AND ENVIRONMENT

As a responsible company, PSO has pledged to adhere to the highest standards of HSE Policy, Standards & Procedures including compliance with relevant local laws & regulations. The Company is striving to make Health, Safety and Environment a top priority in its daily operations, since good HSE performance is critical to the success of our business.

During the period under review, efforts were undertaken to educate Company employees and allied service providers with respect to proper HSE practices by conducting various training sessions. This included behavior based workshops for on HSE Management System and customized workshops for inculcation of HSE culture.

PSO continued to sustain ongoing safety programs and customized trainings including the contractor safety management system for contractors involved in key PSO projects such as the road transport management system for our tank lorries' cartage contractors.

The Company has put in place measures to reduce/ mitigate damage to critical equipment at facilities which can affect the safety and production capabilities. This has been done by introduction of a newly developed preventive maintenance procedure: Safety Critical Equipment (SCE) which defines maintenance techniques in-line with API 754 International Code. Furthermore, an awareness session was organized on American Petroleum Institute (API) Codes 653, 570 and 510 to strengthen understanding of these standards in order to bring PSO facilities at par with API requirements. This along with SCE plan will greatly improve the performance of our Process Safety Management (PSM). Support was further extended to our business partners with a PSO team conducting an operational and HSE assessment of GENCO III with respect to People, Plant/ Equipment and Processes. PSO's commitment to safety was further rewarded when the Company won the 'Fire & Safety Award 2013' awarded by Fire Protection Association of Pakistan (FPAP) and supported by National Forum for Environment & Health (NFEH).

Environmental Protection

During FY 2014, PSO continued its efforts to preserve the national environment by adopting a sustainable approach to all business operations. Striving to inculcate a green operating culture, the Company is working on multiple areas for environmental protection. These programs include monitoring environmental parameters (i.e. SO SOx, NOx, air quality monitoring, noise mapping, effluent run-off etc.) and control measures, carrying out environmental impact assessments as well as initial environment examinations on new project commencement, environmental audits to ensure environmental compliance and environmental risk management through the HSE control system. Committed towards environmental sustainability, PSO has setup a proper waste management system to ensure that the hazardous waste is disposed off properly and converted into non-hazardous disposable waste.

Energy Conservation

PSO has taken steps to conserve precious energy resources by carrying out on-going energy audits at key facilities to ensure optimum energy utilization. During the audit, energy & HSE aspects at the locations are identified and action plan for rectification of issues has been developed accordingly. The audit will help to achieve the desired energy conservation plans and targets at the facilities resulting in improved production efficiency as well as minimization of costs.

CORPORATE RESPONSIBILITY

Committed to serving its fellow citizens in their times of need, PSO has extended support to the affectees of natural calamities. The Company has stepped forward to extend a helping hand by providing tents, mosquito nets and ration bags for the earthquake victims of district Awaram, Balochistan. PSO also arranged ration bags for the Thar drought affectees.

National Cause Donation

In the period under review, PSO played its role as the national company extended support to various charitable organizations operating across the nation.

Education

With the objective of promoting education and its subsequent benefits, PSO has extended significant support to various organizations working in this field. This included financial assistance to educational institutions in urban areas (SZABIST, Hyderabad) as well as organizations working in rural areas (Kaghan Memorial Trust). The importance of education for special children was also reflected in PSO's donor list with significant donations dedicated to NGOs like Pakistan Disabled Foundation, Markaz-e-Umeed, Pakistan Rehabilitation Education Welfare Association etc.

During FY 2014, the Company expended approximately Rs. 99.9 Million from its total CSR budget of Rs. 100 Million in pursuit of these efforts.

Health Sector

In view of the need to provide basic health care facilities to the people of Pakistan, PSO has provided monetary assistance to various organizations including Sindh Institute of Urology & Transplantation (SIUT), Mayo Hospital (Lahore), Child Aid Association, Civil Hospital (Karachi), Fatimid Foundation (Multan), LRBT (Quetta), Diabetic Centre (KPK), Patients Aid Foundation etc.

Community Development

The Company has supported various NGOs such as SOS Children Village, Panah Welfare Homes and Make A Wish Foundation Pakistan (MAWFP) for the social upliftment and betterment of the society. PSO encouraged organizations such as Karachi Center for Dispute Resolution (Karachi) which work towards women empowerment and women rights. The Company has also supported healthy and constructive engagement activities such as sports in various parts of the country by providing financial assistance to KPK Lawn Tennis Association (Peshawar), Colony Sports Football Club (Malir Karachi) and the Sir Ali Asghar Football Academy (SAAFA), Karachi.

HUMAN RESOURCE DEVELOPMENT

PSO continuously strive to align its HR polices and strategies with the best corporate practices. Accordingly, several initiatives were taken during this year including organizational structure review, job identification/ description exercise and function wise "competency mapping".

During the year, employee motivation was enhanced by aligning remuneration and reward packages in par with comparable corporate entities. Pensions for retired employees were raised in view of inflationary changes

and cost of living. PSO adopted a zero tolerance policy for unethical individual/business practices by adhering to laid down Company policy/relevant laws. Compliance with regulatory frameworks was also ensured in HR practices including acquisition of services through pre-qualification exercises and competitive bidding processes.

Committed to employing experienced and qualified human resources to meet the challenges ahead and to achieve its management objectives, PSO offers a conducive work environment and employs a dedicated management team and workforce which can achieve higher levels of productivity.

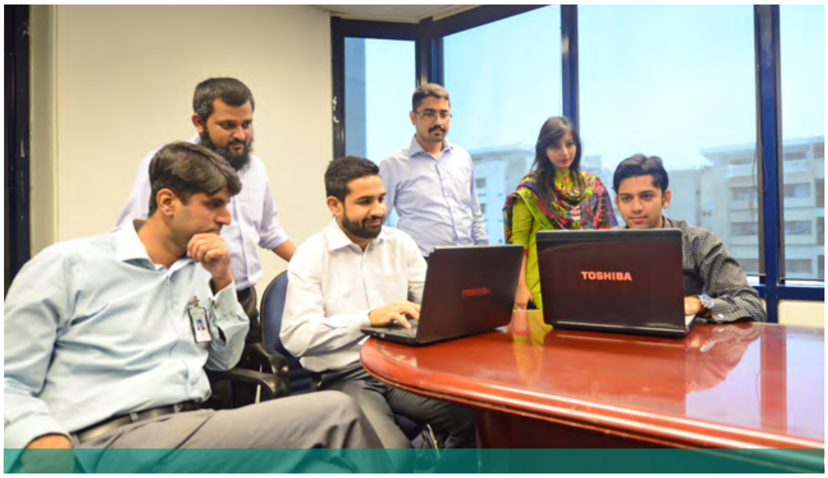
The Company is committed to providing equal opportunity to all employees without any discrimination on the basis of religion, race, gender, age etc.

Succession Planning

At PSO, Succession Planning continues to be a key priority for the Human Resources (HR) department to ensure staff development and to maintain leadership continuity.

With a strong belief in developing a proactive approach, the Company recruits employees, develops their knowledge, skills, abilities and prepares them for advancement or promotion into even more challenging roles.

Succession planning ensures that employees are constantly developed to fill each needed role and builds a pool of strong contenders for future leadership positions to ensure PSO's continued growth and prosperity.



TRAINING AND DEVELOPMENT

Training and development of staff is high on PSO's corporate agenda. Accordingly, the Company places importance on imparting technical knowledge and soft skills to its employees and strives to enable them to meet higher standards of performance.

During the period under review, PSO worked to identify challenges faced by the work force, asses their development needs and meet them through designing and implementation of appropriate training programs. In line with these efforts, the Company organized one hundred and fifteen (115) training programs / workshops catering to nine hundred and eighty five (985) employees during the year. These included sessions focused on developing corporate governance and inspirational leadership as well as technical courses on supply chain management, ISO requirements, SAP trainings and customer/business partner trainings. Apart from conducting customized in-house training programs, two hundred and forty seven (247) employees were provided ninety three (93) ex-house public programs and international certification programs for their respective field of work. In addition, PSO signed a Memorandum of Understanding (MoU) with Lahore University of Management Sciences (LUMS) and has collaborated with NED University of Engineering and Technology for various certification programs.

POL Training Program for Armed Forces

Being an important and responsible public sector company, PSO provides training and learning opportunities on POL product management to the Armed Forces of Pakistan. This year the officers from Army School of Logistics, Kuldana Murree and Command and Staff College, Quetta visited PSO for gaining knowledge of POL Supply Chain Management.

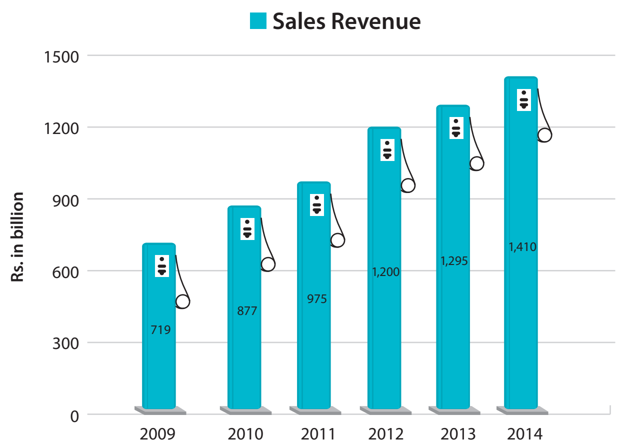
PSO Internship Program

As the largest Oil Marketing Company (OMC) in Pakistan, PSO offers one of the largest internship programs across Pakistan. Our internship program is a concrete source of valuable practical experience in corporate environment for students from various prestigious educational institutions. During FY 2014 around four hundred (400) students from different universities benefited from our internship programs. An internship program for the students of universities across Balochistan was also launched.

FINANCIAL PERFORMANCE

Comparison of Entity's Financial Performance from Last Year

During the financial year 2014 (FY 2014), the Company recorded an all time high sales revenue, profit after tax and earnings per share. Sales revenue stood at Rs. 1.4 trillion compared to Rs. 1.3 trillion during FY 2013, registering a growth of 9%. After tax earnings rose by 73% to Rs. 21.8 billion as compared to Rs. 12.6 billion during FY 2013. Earnings per share increased to Rs. 80.31 from Rs. 46.52 during FY 2013.



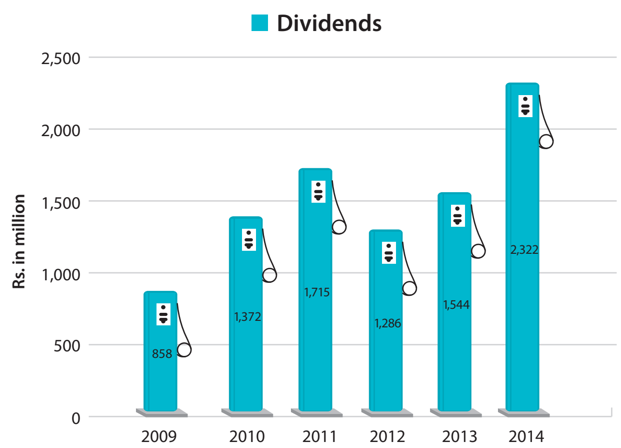
The Company realized substantial cost efficiencies, whereby the administration, distribution and marketing expenses increased merely by 3% as compared to 14% average increase in expenses over the last three years and against an inflation of 8.5% during FY 2014.

Recovery of interest from power sector consumers and interest on Pakistan Investment Bonds also contributed towards an increase in the bottom line, which was nevertheless, mitigated by an increase in finance cost by 26% due to power sector receivables.

Considering the future market dynamics prevailing in the oil industry, your Company is expected to sustain its profitable position in years to come.

Dividends and other Appropriations

Based on this performance, the Board of Management announced a final cash dividend of Rs. 4 per share in addition to the earlier interim cash dividend of Rs. 4 per share and interim bonus stock at the rate of 10%. The total dividends for the year stood at Rs. 9 per share (including bonus) as compared to Rs. 7 per share (including bonus) in FY 2013, translating into a total payout of Rs. 2.3 billion vs Rs. 1.5 billion in FY 2013 to the shareholders.



Circular Debt Position & Way Forward

PSO started the year on a positive note as circular debt was substantially settled by the GoP through injection of Rs. 480 billion in the power sector on June 28, 2013. This eased the Company's liquidity position to a large extent. However, owing to intermittent / piecemeal payments by the power sector entities, circular debt re-surfaced at an accelerated pace during FY 2014 and PSO's receivables from the power sector entities, reached a high level of Rs. 146 bn at the end of the year under review.

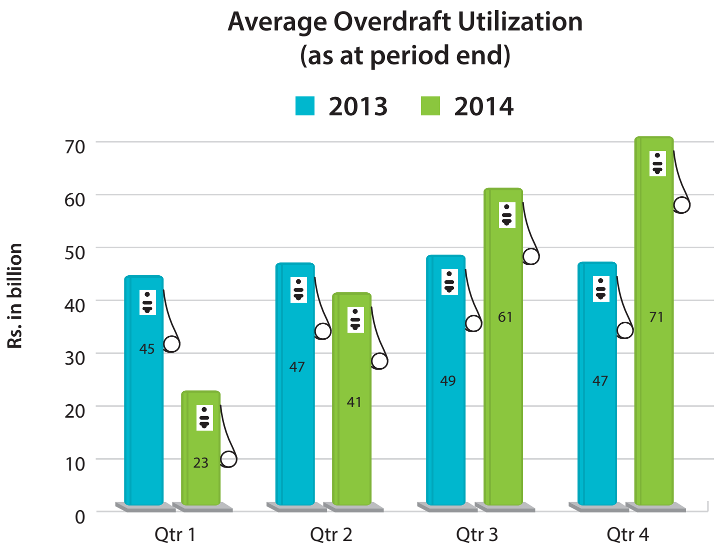
The increase in receivables from the power sector put additional pressure on PSO's financial resources and resulted in increased reliance on short term bank borrowings. The pressure on PSO's liquidity situation further aggravated due to timely payments made to local refineries in order to ensure maximum availability of products. The issue of circular debt cannot be resolved unless payments from the power sector entities are received by PSO in a timely and continuous manner, and the outstanding receivables are cleared.

The management is in constant liaison with the power sector customers and concerned ministries, to expedite the recovery of outstanding dues from the power sector. It is expected that based on follow-ups by PSO and support of the GoP, the issue of circular debt will be mitigated/resolved.

Analysis of Liquidity, Cash Flows, Financing Arrangement and Way Forward

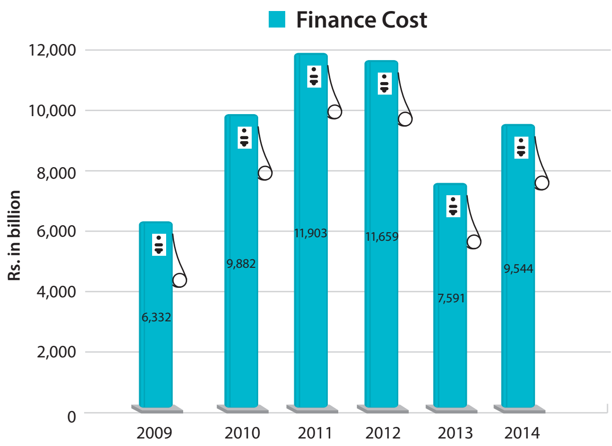
During the first half of FY 2014, the partial settlement of circular debt eased pressure on the PSO's liquidity position, however, during the latter half, continuous short payments by the power sector entities again put additional pressure on the liquidity position. This ultimately resulted in increase in local and foreign currency borrowings of your Company to bridge the liquidity gap and avert default on the International LCs.

The management has been able to deal with the challenges posed by the circular debt situation by maintaining continuous supply of fuel to the power sector through efficient supply chain and financial management while vigorously pursuing the recovery of dues viz-a-viz settlement of the receivables.



Finance Cost

Overall the financial charges increased by only 26% despite increase in average borrowings by 51% due to reliance on a mix of local and foreign currency borrowings and efficient funds management and close monitoring of the money market.



Capital Structure

Your Company's objective is to maintain an optimal capital structure whereby the cost of capital is reduced in order to provide adequate returns to its shareholders. Your Company's shareholders' equity has increased from Rs. 60.6 billion in FY 2013 to Rs. 78.6 billion in FY 2014 registering an increase of 30%. This increase is mainly due to profits earned and retained in the business due to prevailing circular debt crisis.

Your Company finances its operations through equity, shorterm overdraft facilities, foreign currency borrowings and efficient management of working capital. Consistent with other Companies in the industry, your Company monitors its capital structure on the basis of gearing ratio to ensure appropriate mix between debt and equity.

The gearing ratio for the current year is 47.70% as compared to 16.57% last year due to increase in year end bank borrowings from Rs. 17 billion to Rs. 92 billion as of June 30 2014.

Key Sources of Estimating Uncertainty

The key sources of estimating uncertainty, which may have a significant effect on the amounts recognized in the financial statements are discussed below:

a) Valuation of available for sale investment
Your Company's available for sale investment includes government securities, fair value of which is determined by reference to the quotation obtained from the PKRV rate sheet on the Reuter page. Change in the fair value of this available for sale investment is recognized in other comprehensive income.

b) Valuation of stock in trade
Your Company's stock in trade is valued at lower of average cost or cost on first-in-first-out basis and net realizable value.

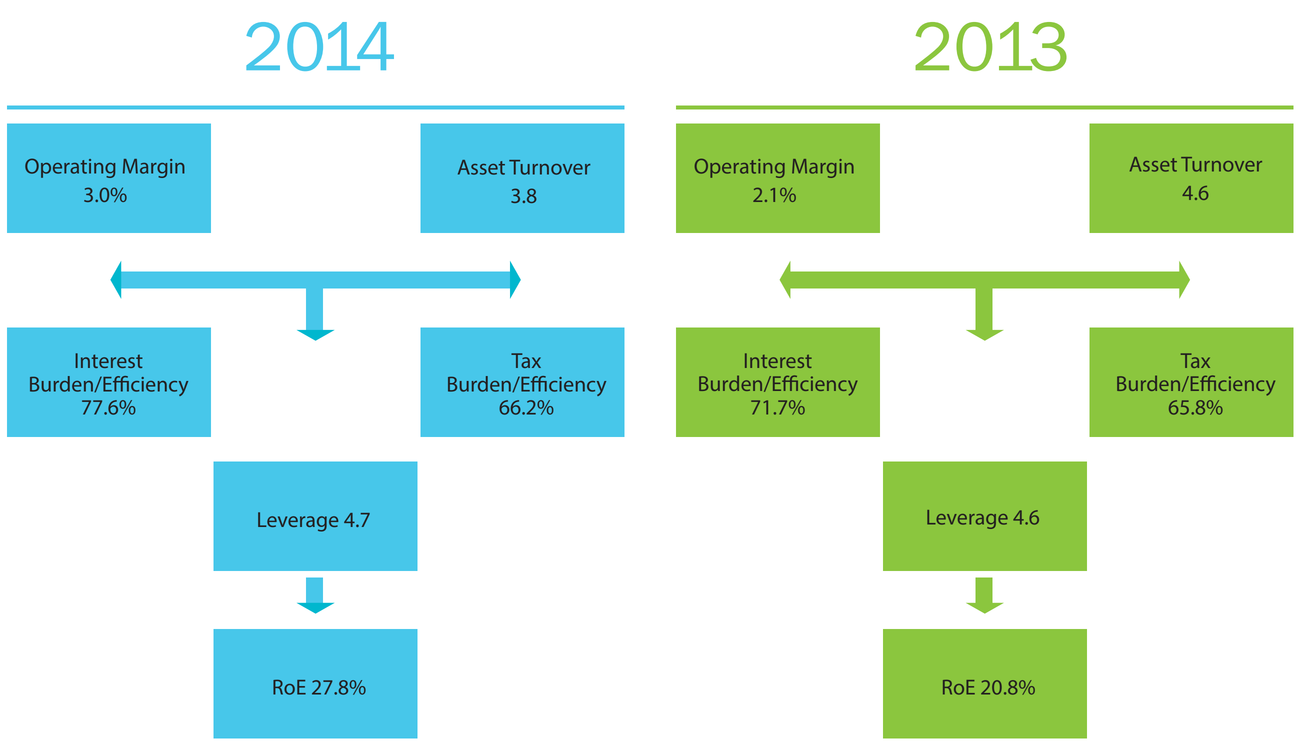
c) Provision for impairment of trade debts
Your Company recognizes provision for impairment on its trade debts when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

d) Provision for retirement and other service benefits
Your Company operates pension funds, gratuity funds and medical benefit schemes for its employees. The amounts recognized in respect of the above schemes represent the present value of defined benefit obligations as reduced by the fair value of plan assets.

e) Deferred taxation
Your Company has recognized deferred taxation of Rs. 6.5 billion as at June 30, 2014 on the assumption that sufficient taxable profits will exist in future periods to utilize this deferred tax asset.

DUO-PONT ANALYSIS

	2014	2013	COMMENTS
Tax Burden/Efficiency (Net Income/PBT)	66.2%	65.8%	Improved mainly due to reduction in corporate tax rates by 1%.
Interest Burden/Efficiency (PBT/EBIT)	77.6%	71.7%	Improved mainly due to increase in income from main operations and receipt of late payment interest despite rise in finance cost.
Operating Income Margin (EBIT/Sales)	3.0%	2.1%	Improved mainly due to increase in income from main operations and receipt of late payment interest.
Asset Turnover (Sales/Assets)	3.8	4.6	Declined mainly due to increase in total assets on account of increase in power sector receivables.
Leverage Ratio (Assets/Equity)	4.7	4.6	Increased mainly due to increase in total assets on account of increase in power sector receivables.
Return on Equity (ROE)	**27.8%**	**20.8%**	Improved mainly due to increase in net profit after tax.



Share Price Sensitivity Analysis

Your Company's profitability and performance is exposed to various internal and external factors which can significantly alter the bottom line of the Company and ultimately its share price. Most of these factors are however external, which are beyond the control of the Company's management. The Company's share price may respond (but not limited) to the following events and changes in business environment:

a) Sale Volumes
Your Company's sale volumes are primarily dependent on the GDP growth rate and overall economic conditions prevailing in the country. Increase in business activity and prevailing power crisis situation will lead to increase in volumes of white and black oil products respectively, which will ultimately be reflected on the bottom line and share price of the Company.

b) International Oil Prices
The trend of International Oil Prices impacts the financial performance of your Company and consequently the share price. Increasing trend of oil prices may improve your Company's financial performance and vice versa.

c) White Oil Margins Revision by GoP
Government's action with respect to revision of white oil margins becomes an important driver of your Company's share price. Any consideration or decision for upward margin revision may have a positive impact on its share price.

d) Circular Debt
Your Company's share price is highly sensitive to any development on the circular debt issue prevailing in the Country. The Government's action with respect to circular debt resolution has previously led to share price increase and on the contrary, circular debt pile up has negatively impacted the share price.

e) Bank Borrowings & Finance Cost
Increase in bank borrowings will lead to higher finance cost and ultimately reduce the bottom line and have a negative impact on the share price of the Company. Further, on account of increased borrowings, PSO's share price will remain sensitive to any increase or decrease in discount rates announced in the monetary policy statement by the GoP.

f) Rupee Devaluation
Your company imports approximately 87% of the total petroleum products imported in the Country, which greatly exposes the Company to currency risk on account of Rupee devaluation. Increase in rupee devaluation has a negative effect on your Company's white oil business performance and consequently its share price.

g) Diversification
Any concrete development on diversification into new projects such as LNG business by your Company may lead to a positive impact on its share price.

Segmental Review of Business Performance

PSO's financial statements have been prepared on the basis of a single reportable segment. The total Sales Revenue is broadly divided into following two categories:

Description	FY14	FY13
White Oil & Lubricants	59.49%	60.65%
Black Oil	39.35%	38.29%
Sales Revenue from Petroleum Products	**98.84%**	**98.94%**
Sales Revenue from Other Products	1.16%	1.06%
Total	**100.00%**	**100.00%**

Other Matters

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

- Note 15.1 – Receivable from GoP on account of import price differential on motor gasoline aggregating to Rs. 1,351 million.
- Note 15.2 – Receivable from GoP on account of price differential on local High Speed Diesel aggregating to Rs. 603 million.
- Note 15.3 – Price differential receivable from GoP on account of supply of furnace oil to KEL (formerly KESC) at Natural Gas prices aggregating to Rs. 3,909 million.
- Note 15.4 – Receivable from GoP on account of price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) aggregating Rs. 3,407 million.
- Note 24.1.1 – Non accrual of markup on delayed payments for reasons given in the aforementioned note.
- Note 24.1.2 – Tax implication of Rs. 958 million on the Company for the assessment years 1996-97 and 1997- 98.

Auditors

The Board Audit Committee and Board of Management have endorsed the appointment of M/s. M. Yousuf Adil Saleem & Co. and M/s. A. F. Fergusons & Co. Chartered Accountants as joint auditors of the Company for the year ending June 30, 2015.

Associated Companies

Asia Petroleum Limited (APL)

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

Pak Grease Manufacturing Company (Private) Limited (PGMCL)

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

Pakistan Refinery Limited (PRL)

During the current year, PRL has become an associated undertaking of PSO for reasons referred in note 6.2 of the financial statements. PSO currently holds 18% equity stake in the shareholding of the Company and has exercised its right to purchase additional 4.5% holding in the Company during the year.

PRL was incorporated in Pakistan as a public limited company in May 1960 and is quoted on the Karachi and Lahore Stock Exchanges. The Refinery is situated on the coastal belt of Karachi, Pakistan and is designed to process various imported and local crude oil to meet the strategic and domestic fuel requirements of the country. The Refinery has a capacity of processing 47,000 barrels per day of crude oil into a variety of distilled petroleum products such as Furnace Oil, High Speed Diesel, Kerosene oil, Jet fuel and Motor gasoline etc.

Corporate and Financial Reporting Framework

PSO's Board of Management is fully cognizant of its responsibility as recognized by the Code of Corporate Governance, detailed in listing regulation and Public Sector Companies (Corporate Governance) Rules, 2013 issued by the Securities & Exchange Commission of Pakistan (SECP). The following are the comments on acknowledgement of PSO's commitment towards high standards of Corporate Governance and continuous improvement:

- Compliance has been made with the relevent principles of corporate governance, and the rules that have not been complied with, have been identified along with the period in which such non-compliance is made, and reasons for such non-compliance.
- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows, statement of comprehensive income and changes in equity.

- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the change as stated in note 3.1 to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and departure, if any, has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- The non-executive BoM members do not have fixed remuneration per se and are being paid a fixed fee for each meeting attended. The said fees are decided upon by the entire BoM collectively.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations and Public Sector Code of Corporate Governance.
- Key operating and financial data of last six years in a summarized form is annexed.
- The following is the value of investment of pension, provident and gratuity funds based on their respective un-audited accounts as on June 30, 2014:

	Rs. in million
PSOCL Management Employees' Pension Fund	4,062
PSOCL Workers' Staff Pension Fund	2,009
State Oil Co Ltd Staff Provident Fund	2,231
State Oil Co Ltd Employees' Provident Fund	1,214
PSOCL Employees' Gratuity Fund	2,788

- During the year, nine meetings of the Board of Management were held and the attendance by each member is given on Page 156.
- The pattern of shareholding is annexed.

WAY FORWARD / STRATEGIC OBJECTIVES

- Retain leadership position in oil market and establish PSO as a brand of choice for customers.
- Maximize return to shareholders and fulfill responsibilities as a responsible corporate citizen towards a wider group of stakeholders including the society and community at large.
- Pursue profitable growth and rationalize product portfolio with a focus on high margin products.
- Optimize product procurement from local and international sources and pursue ensured access to long-term and cost-effective supply sources.
- Ensure safety of people, equipment and environment.
- Pursue operational efficiency, cost-effectiveness and quality assurance.
- Ensure legal and regulatory compliance in all spheres of operations and new business development.
- Pursue continuous improvement, innovation and technological advancement.
- Enhance corporate capabilities and motivation through skill enhancement, management development and reward programs.

Amjad Parvez Janjua
Managing Director & CEO

Mujahid Eshai
Chariman-BoM

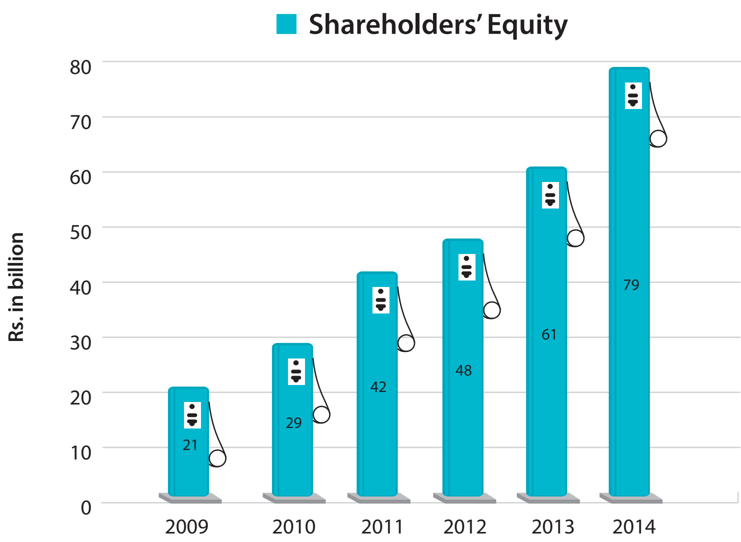
September 03, 2014

Financials

FINANCIAL ANALYSIS

Rupees in Million (unless noted)

	2014	2013	2012	2011	2010	2009
Balance Sheet						
Shareholders' Equity	78,621	60,643	48,334	41,903	29,336	20,871
Non Current Assets	58,637	57,593	10,469	9,858	8,875	14,732
Current Assets	313,514	224,356	337,796	252,815	193,373	138,690
Total Liabilities	293,530	221,307	299,931	220,770	172,912	132,551



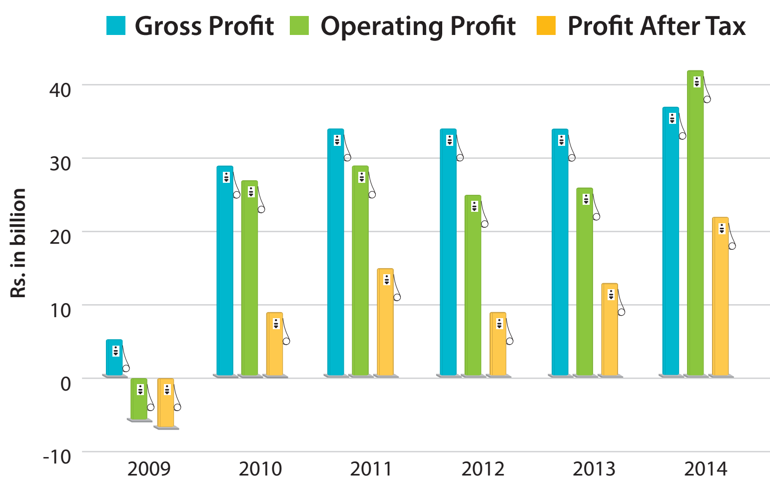
Comments on Analysis

As of June 30, 2014, significant variation as compared to FY13 is because of the following:

- Shareholders equity rose by Rs. 18 bn due to net retained income generated during the year.
- Total non current assets increased by Rs. 1 bn mainly due to increase in deferred tax asset by Rs. 3.2 bn, which is offset with decrease in value of long term investments by Rs. 2.4 bn.
- Current assets increased by Rs. 89 bn primarily due to increase in trade debt balances by Rs. 99 bn which is partially offset with decrease in stock in trade by Rs. 20 bn.
- Total Liabilities increased by Rs. 72 bn primarily due to increase in short term borrowings by Rs. 75 bn on account of adverse circular debt situation.

Rupees in Million (unless noted)

	2014	2013	2012	2011	2010	2009
Sales Volume (Million Tons)	13.2	12.6	12.4	12.9	14.2	13.2
Profit & Loss Account						
Sales Revenue	1,409,574	1,294,503	1,199,928	974,917	877,173	719,282
Net Revenue	1,187,639	1,100,122	1,024,424	820,530	742,758	612,696
Gross Profit	36,824	34,161	34,323	34,280	29,166	3,010
Other Income (including share of associates' profits)	20,059	6,510	10,154	6,477	8,090	2,680
Marketing & Administrative Expenses	10,480	10,207	9,871	8,639	6,996	6,822
Other Operating Expense	3,890	3,664	9,272	2,240	2,417	3,994
Operating Profit/(Loss)	41,972	26,230	24,864	29,361	27,328	(5,577)
Finance Cost	9,544	7,591	11,659	11,903	9,882	6,232
Profit/(Loss) before Tax	32,969	19,210	13,674	17,974	17,963	(11,357)
Profit/(Loss) after Tax	21,818	12,638	9,056	14,779	9,050	(6,699)
Earning/(Loss) before Interest, taxes, depreciation & Amortization (EBITDA)	43,567	27,960	26,476	31,016	29,028	(3,983)



Comments on Analysis

The Company's after tax profitability has increased by Rs. 9.2 bn in FY14 as compared to FY13. Major variation was mainly due to the following:

- Increase in gross profit by Rs. 2.7 bn on account of overall favourable volume and margin variances.
- Increase in other income by Rs. 13.5 bn mainly due to higher reciept of interest on delayed payments from IPPs.
- Increase in finance cost by Rs. 1.9 bn due to heavy short term borrowings on account of increasing circular debt.
- Increase in taxation by Rs. 4.6 bn due to higher profits for the year.

ANALYSIS OF VARIATION IN RESULTS REPORTED IN INTERIM REPORTS

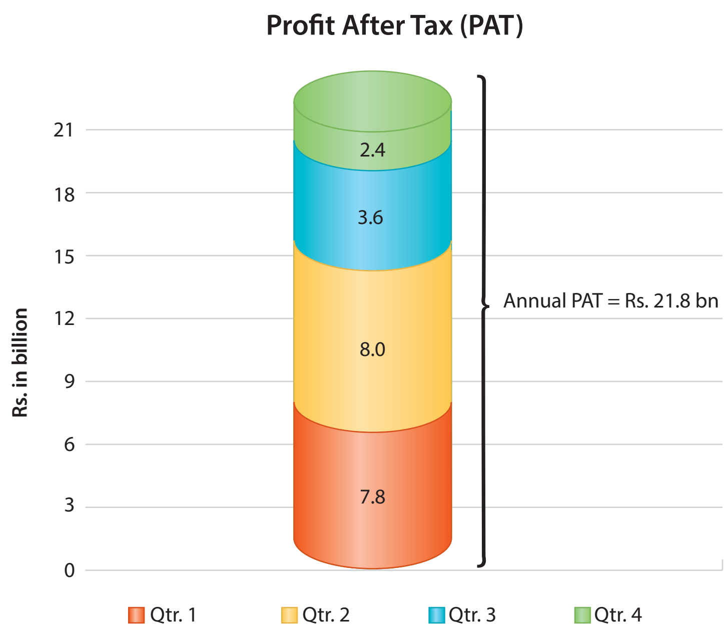
A brief analysis of variations in interim results and the manner in which each individual quarter contributed to the overall annual results is as follows:

- **Qtr 1:** Your Company reported PAT of Rs. 7.8 bn mainly due to improvement in sale volumes of FO and PMG coupled with receipt of interest income from IPPs and PIBs, which was partially offset with heavy exchange loss incurred on account of sharp Pak rupee devaluation of 6.7%.

- **Qtr 2:** The PAT increased by Rs. 8.0 bn mainly due to improvement in white and black oil sale volumes coupled with receipt of interest income from IPPs and PIBs. In addition, stability of rupee dollar parity also contributed positively on the bottom line of the Company in the shape of exchange gain.

- **Qtr 3:** The PAT declined to Rs. 3.6 bn mainly due to dip in white and black oil sale volumes coupled with less receipt of interest income from IPPs.

- **Qtr 4:** The PAT declined to Rs. 2.4 bn mainly due to inventory losses on account of downward trend of oil prices, which was partially offset with improvement in white and black oil sale volumes.



SUMMARY OF CASH FLOW STATEMENT WITH ANALYSIS

Rupees in Million

Cash Flow Statement	2014	2013	2012	2011	2010	2009
Net cash (outflow)/inflow from operating activities	(57,326)	79,444	(21,327)	(8,416)	4,958	(4,829)
Net cash (outflow)/inflow from investing activities	(760)	(46,107)	5	(400)	88	(3)
Net cash inflow/(outflow) from financing activities	63,682	(11,698)	22,737	(2,306)	(1,944)	512
Cash & cash equivalents at end of the year	9,119	3,523	(18,116)	(19,531)	(8,409)	(11,510)

Comments on Analysis

The variation in cash flows as compared to FY13 is because of the following:

Operating Activities

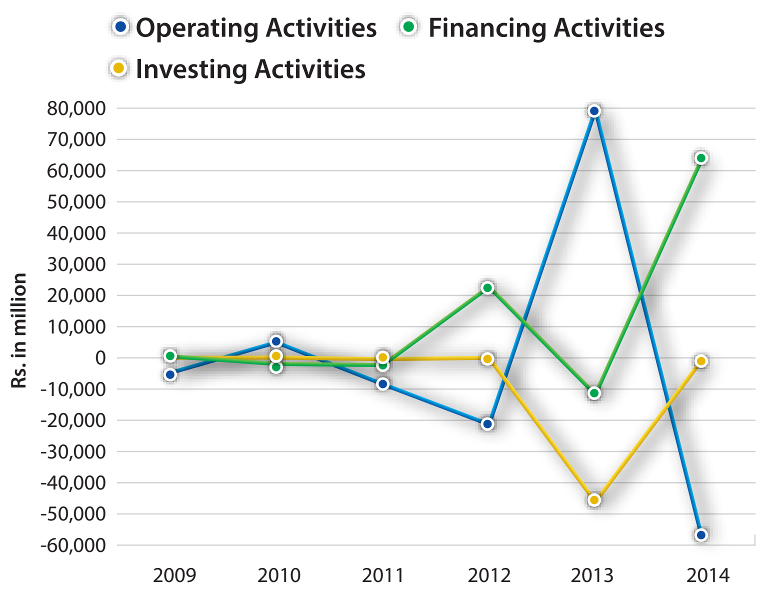
Cash flows from operating activities have weakened mainly due to significant increase in power sector receivables owing to prevailing circular debt situation, which ultimately resulted in negative cash flows from operations of Rs. 57 bn.

Investing Activities

Cash flows from investing activities have reduced significantly by Rs. 45 bn due to investments made in PIBs during last year, which is not the case this year.

Financing Activities

Cash flows from financing activities show a major cash inflow of Rs. 64 bn due to heavy reliance on short term bank borrowings owing to prevailing circular debt situation.



KEY FINANCIAL RATIOS WITH ANALYSIS

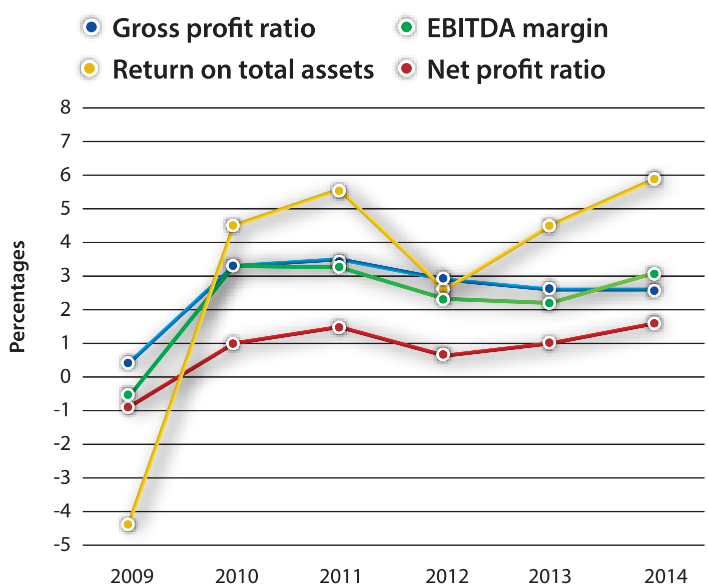
Profitabiltiy Ratios		2014	2013	2012	2011	2010	2009
Gross Profit ratio	%	2.61	2.64	2.86	3.52	3.32	0.42
Net Profit ratio	%	1.55	0.98	0.75	1.52	1.03	(0.93)
EBITDA margin	%	3.09	2.16	2.21	3.18	3.31	(0.55)
Return on Shareholders' Equity	%	27.75	20.84	18.74	35.27	30.85	(32.10)
Return on total assets	%	5.86	4.48	2.60	5.63	4.47	(4.37)
Return on capital employed	%	50.73	41.29	47.52	66.16	86.55	(21.90)
Operating Leverage Ratio	%	659.57	73.42	(65.90)	65.49	(2,930.77)	(525.19)

The variation in ratios as compared to FY13 is because of the following:

- The GP ratio has shown a stable trend, while NP and EBITDA ratios have increased by 59% and 43% respectively mainly due to significant increase in other income by 208% which includes amount received in respect of interest income from IPPs.

- The return on shareholders' equity, total assets and capital employed has increased by 33%, 31% and 23% respectively mainly due to increase in bottom line which was partially offset by a decrease in equity due to realisation of actuarial losses on account of implementation of revised IAS-19.

- The improvement in operating leverage ratio is because of the increase in EBIT by 59% due to reasons mentioned above vs increase in sales by only 9%.



KEY FINANCIAL RATIOS WITH ANALYSIS

Capital Structure Ratios		2014	2013	2012	2011	2010	2009
Interest Cover ratio	(x)	4.45	3.53	2.17	2.51	2.77	(0.89)
Operating Gearing	%	47.70	16.57	47.74	34.66	27.71	43.04
Financial Leverage ratio	(x)	1.17	0.28	0.95	0.59	0.44	0.89
Weighted Average Cost of Debt	%	13.57	8.78	10.62	13.69	11.16	10.36

The variation in ratios as compared to FY 2013 is because of the following:

- Interest cover ratio has improved due to increase in EBIT by 59%.
- Operating gearing ratio, financial leverage ratio and weighted average cost of debt have weakened due to significant increase in short term borrowings by 435% on account of circular debt situation.

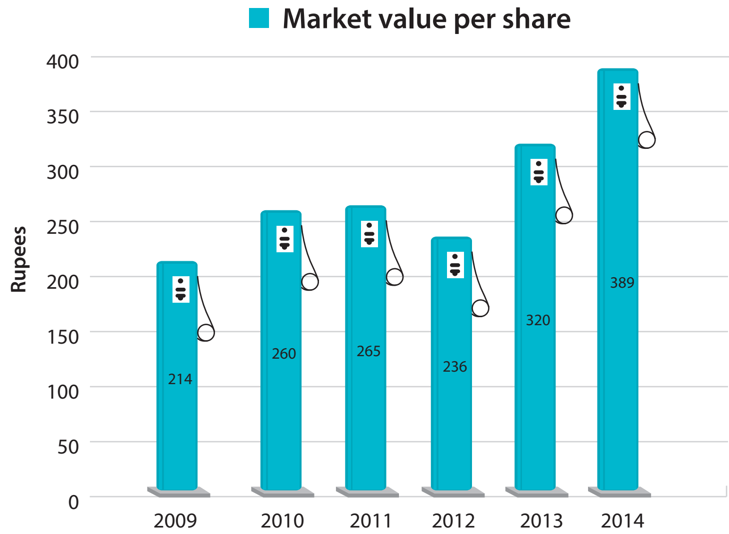
Liquidity Ratios		2014	2013	2012	2011	2010	2009
Cash to Current Liabilities	(x)	0.03	0.02	(0.06)	(0.09)	(0.05)	0.09
Cash Flow from Operations to Sales	(x)	(0.04)	0.06	(0.02)	(0.01)	0.01	(0.01)
Current Ratio	(x)	1.09	1.03	1.15	1.16	1.14	1.07
Quick Ratio	(x)	0.79	0.54	0.85	0.72	0.79	0.75

The variation in ratios as compared to FY13 is because of the following:

- Cash to current liabilities and current ratio has remained flat.
- Cash flow from operations to sales has decreased and Quick ratio has increased due to increase in receivables from power sector on account of circular debt situation.

KEY FINANCIAL RATIOS WITH ANALYSIS

Investment / Market Ratios		2014	2013	2012	2011	2010	2009
Earning per share (Basic)	Rs.	80.31	50.84	52.80	86.17	52.76	(39.05)
Earning per share (Diluted)	Rs.	80.31	46.52	33.34	54.39	33.31	(24.65)
Market value per share (Year End)	Rs.	388.85	320.38	235.84	264.58	260.20	213.65
Highest Price	Rs.	452.43	334.88	270.77	313.80	342.95	428.79
Lowest Price	Rs.	262.10	184.67	205.67	236.68	218.33	96.00
Break-up value	Rs.	289.05	245.52	281.01	243.62	170.56	121.34
Price earning ratio (P/E)	(x)	4.84	6.30	4.47	3.07	4.93	(5.47)
Cash dividend per share	Rs.	8.00	5.00	5.50	10.00	8.00	5.00
Bonus share	%	10.00	20.00	20.00	-	-	-
Dividend payout (including bonus)	%	11.21	13.77	14.20	11.60	15.16	(12.80)
Dividend yield (including bonus)	%	2.31	2.18	3.18	3.78	3.07	2.34
Dividend cover ratio (including bonus)	(x)	8.91	7.31	7.04	8.59	6.58	(7.79)



The variation in ratios as compared to FY13 is because of the following:

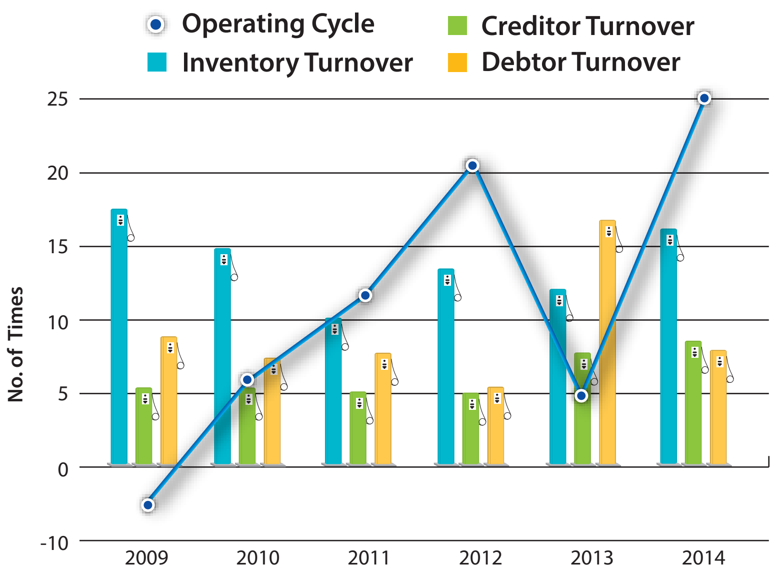
- Price earnings ratio has decreased by 23% due to abnormal increase in bottom line by 73%, which is not reflected in the prevailing market value at year end.

- The dividend payout percentage is showing a declining trend as EPS rose by 73% whereas dividend per share increased by 29%.

- The dividend yield percentage is showing an increasing trend due to total dividend declared of Rs. 9 per share (including bonus) as compared to Rs. 7 per share (including bonus) in FY13.

KEY FINANCIAL RATIOS WITH ANALYSIS

		2014	2013	2012	2011	2010	2009
Activity/Turnover Ratios							
Inventory turnover ratio*	(x)	16.33	12.20	13.55	10.22	14.97	17.67
No. of days in Inventory	No.	22	30	27	36	24	21
Debtor turnover ratio*	(x)	8.04	16.90	5.50	7.82	7.47	8.93
No. of days in Receivables	No.	45	22	66	47	49	41
Creditor turnover ratio*	(x)	8.65	7.77	5.08	5.17	5.46	5.43
No. of days in Creditors	No.	42	47	72	71	67	67
Total asset turnover ratio	(x)	4.31	4.11	3.93	4.19	4.93	5.13
Fixed asset turnover ratio	(x)	246.04	226.77	200.39	155.68	130.27	98.38
Operating Cycle (No. of days)	No.	25	5	21	12	6	(5)



* Note: Inventory, debtor and creditor turnover ratios have been calculated on the basis of closing values rather than the average values.

The variation in ratios as compared to FY13 is because of the following:

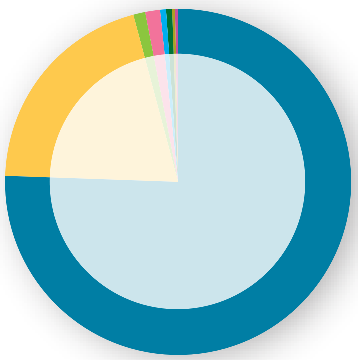
- Total asset and fixed assets turnover have increased slightly by 5% and 8% respetively due to increase in sales by 9%.
- The operating cycle has increased by 4 times mainly on account of increasing receivables from the power sector due to ongoing circular debt situation.

STATEMENT OF VALUE ADDITIONS

For the year ended June 30, 2014

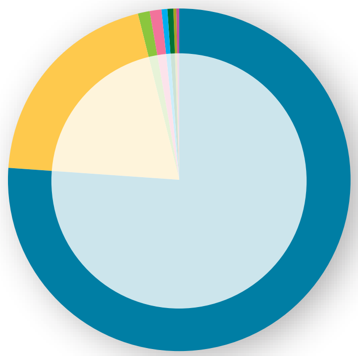
	2014		2013	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated				
Sales	1,409,574,264	98.60	1,294,503,247	99.50
Other income	20,059,203	1.40	6,510,216	0.50
	1,429,633,467	100	1,301,013,463	100
Distribution of Wealth				
Cost of sales (excluding duties)	1,080,783,780	75.60	990,857,141	76.16
Government taxes	288,080,450	20.15	261,671,276	20.11
Inland freight equalization margin	17,574,914	1.23	15,876,094	1.22
Retained for future growth	19,496,454	1.36	11,094,109	0.85
Finance costs	9,544,109	0.67	7,591,156	0.58
Distribution, marketing, administrative & other expenses	6,190,217	0.43	7,278,495	0.56
Employees' remuneration	5,541,871	0.39	5,081,836	0.39
Dividend to shareholders	2,321,681	0.16	1,543,670	0.12
Contribution to society	99,991	0.01	19,686	0.002
	1,429,633,467	100	1,301,013,463	100

FY 2014



- Cost of sales (excluding duties) 75.60 %
- Government taxes 20.15 %
- Inland freight equalization margin 1.23 %
- Retained for future growth 1.36 %
- Finance costs 0.67 %
- Distribution, marketing, administrative & other expenses 0.43 %
- Employees' remuneration 0.39 %
- Dividend to shareholders 0.16 %

FY 2013



- Cost of sales (excluding duties) 76.16 %
- Government taxes 20.11 %
- Inland freight equalization margin 1.22 %
- Retained for future growth 0.85 %
- Finance costs 0.58 %
- Distribution, marketing, administrative & other expenses 0.56 %
- Employees' remuneration 0.39 %
- Dividend to shareholders 0.12 %

HORIZONTAL AND VERTICAL ANALYSIS - BALANCE SHEET

VERTICAL ANALYSIS	2014	2013	2012	2011	2010	2009
Property, plant and equipment	1.59%	1.97%	1.68%	2.33%	3.17%	4.60%
Long term investments	12.30%	17.11%	0.57%	0.88%	1.00%	1.40%
Long term loans, advances and receivables	0.09%	0.13%	0.11%	0.12%	0.16%	0.26%
Long term deposits and prepayments	0.04%	0.04%	0.04%	0.06%	0.06%	0.05%
Deferred tax	1.74%	1.17%	0.61%	0.36%	0.00%	3.28%
Total Non-Current Assets	15.76%	20.43%	3.01%	3.75%	4.39%	9.60%
Stores, spares and loose tools	0.05%	0.05%	0.04%	0.04%	0.06%	0.07%
Stock-in-trade	23.19%	37.63%	25.42%	36.31%	28.97%	26.53%
Trade debts	47.13%	27.17%	62.60%	47.48%	58.10%	52.48%
Loans and advances	0.15%	0.17%	0.15%	0.16%	0.20%	0.27%
Deposits and short term prepayments	0.66%	0.85%	0.73%	0.39%	0.18%	0.36%
Accrued Interest	0.60%	0.80%	0.00%	0.00%	0.00%	0.00%
Other receivables	5.67%	9.42%	6.06%	8.57%	7.20%	8.35%
Taxation-net	1.26%	1.63%	1.53%	2.40%	0.02%	0.46%
Cash and bank balances	5.54%	1.85%	0.47%	0.88%	0.88%	1.88%
Total Current Assets	84.24%	79.57%	96.99%	96.25%	95.61%	90.40%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
EQUITY AND LIABILITIES						
Share Capital	0.73%	0.88%	0.49%	0.65%	0.85%	1.12%
Reserves	20.40%	20.63%	13.39%	15.30%	13.66%	12.49%
Total Shareholders Equity	21.13%	21.51%	13.88%	15.95%	14.51%	13.60%
Retirement and other service benefits	1.39%	1.51%	1.43%	0.85%	0.93%	1.09%
Total Non-Current Liabilities	1.39%	1.51%	1.43%	0.85%	0.93%	1.09%
Trade and other payables	52.13%	70.45%	71.19%	73.43%	77.62%	72.34%
Provisions	0.19%	0.24%	0.20%	0.26%	0.34%	0.45%
Accrued interest/mark-up	0.36%	0.15%	0.16%	0.16%	0.16%	0.36%
Short term borrowings	24.81%	6.13%	13.14%	9.34%	6.44%	12.16%
Total Current Liabilities	77.48%	76.98%	84.69%	83.20%	84.56%	85.31%
Total Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

HORIZONTAL ANALYSIS	2014	2013	2012	2011	2010	2009
Property, plant and equipment	84%	79%	83%	87%	91%	100%
Total Non-Current Assets	398%	391%	71%	67%	60%	100%
Stock-in-trade	212%	261%	218%	234%	144%	100%
Trade debts	218%	95%	271%	155%	146%	100%
Other receivables	165%	207%	165%	176%	114%	100%
Cash and bank balances	715%	181%	56%	80%	62%	100%
Total Current Assets	226%	162%	244%	182%	139%	100%
Total Assets	243%	184%	227%	171%	132%	100%
Share Capital	158%	144%	100%	100%	100%	100%
Reserves	396%	304%	243%	210%	144%	100%
Total Shareholders Equity	377%	291%	232%	201%	141%	100%
Total Long term Liabilities	310%	255%	298%	134%	113%	100%
Trade and other payables	175%	179%	223%	174%	141%	100%
Provisions	100%	100%	100%	100%	100%	100%
Total Current Liabilities	220%	166%	225%	167%	131%	100%
Total Equity & Liabilities	243%	184%	227%	171%	132%	100%

COMMENTS ON HORIZONTAL AND VERTICAL ANALYSIS

Balance Sheet

Shareholders' Equity

Total Shareholders' equity increased by 277% over the years mainly due to retention of profits in the business in order to overcome liquidity problems faced by the Company owing to circular debt crisis prevailing since 2009.

Trade and Other Payables

Trade and other payables have shown increase till June 30, 2012, however, since then they have gone down due to timely payment to local refineries.

Total Non Current Assets

Total non current assets increased by 298% due to investment made by your Company during last year in PIBs amounting to Rs. 46 bn.

Trade Debts

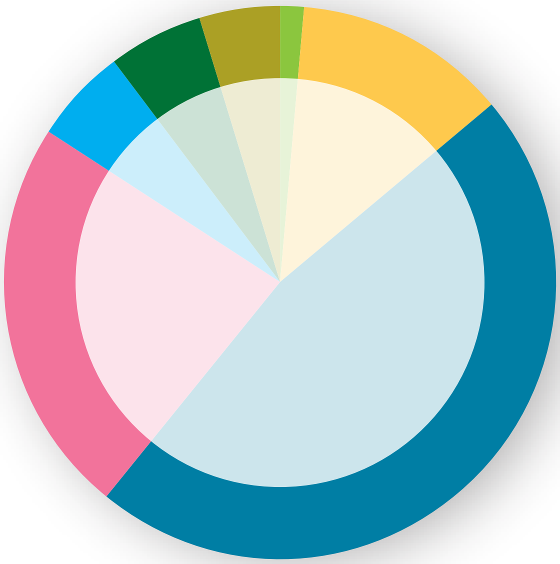
Trade debts have shown increase over the years mainly due to prevailing circular debt situation. These trade debts were lowest as of June 30, 2013 as per both horizontal and vertical analysis, due to significant injection made by GoP close to year end. However, in FY14, the balances have again increased due to increase in power sector receivables.

Stock in Trade

Stock in trade has shown an increasing trend till last year as per horizontal analysis, however, the balances have reduced as of June 30, 2014 due to lower inventory levels at year end. The vertical analysis depicts fluctuations of share of stock in trade in total assets in line with the increase or decrease in inventory levels/oil prices.

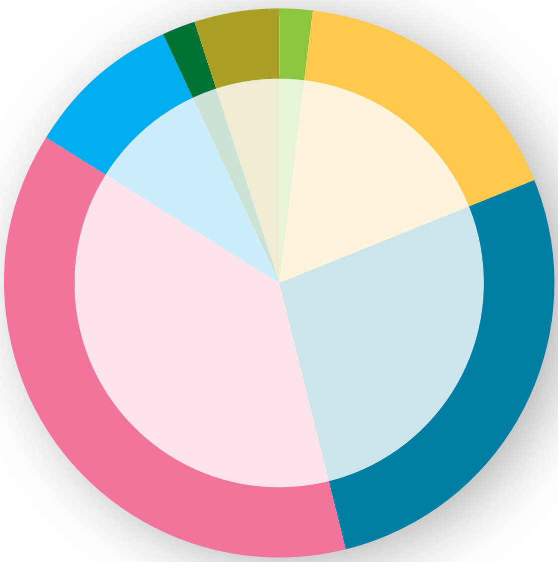
COMPOSITION OF BALANCE SHEET

Assets FY 2014



Property, plant and equipment	1.6 %
Long term investment	12.3 %
Trade debts	47.1 %
Stock-in-trade	23.2 %
Other receivables	5.7 %
Cash and bank balances	5.5 %
Other	4.6 %

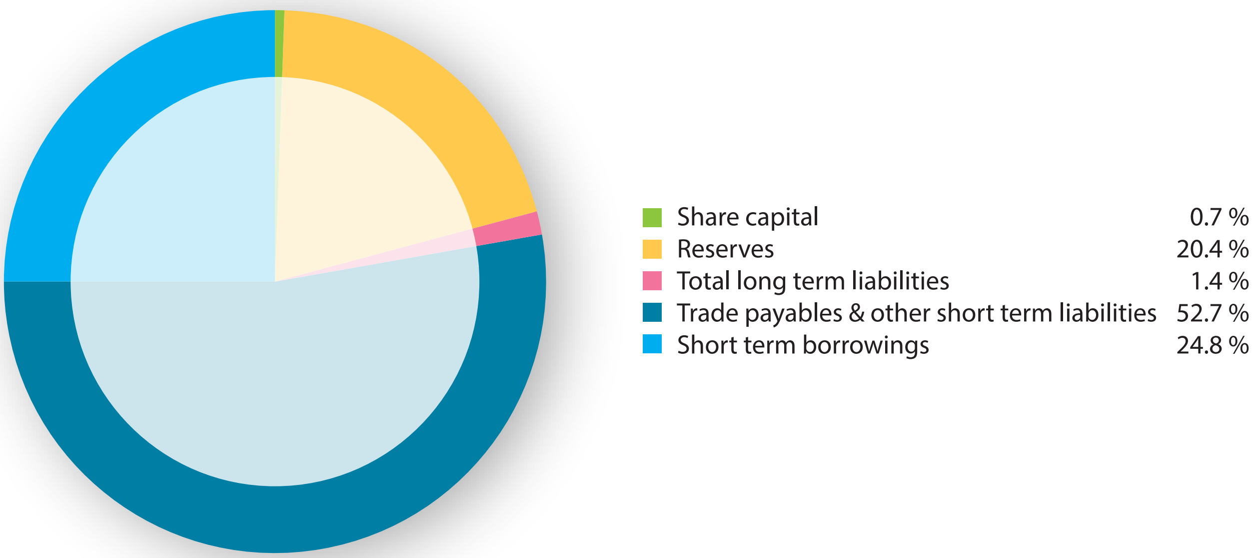
Assets FY 2013



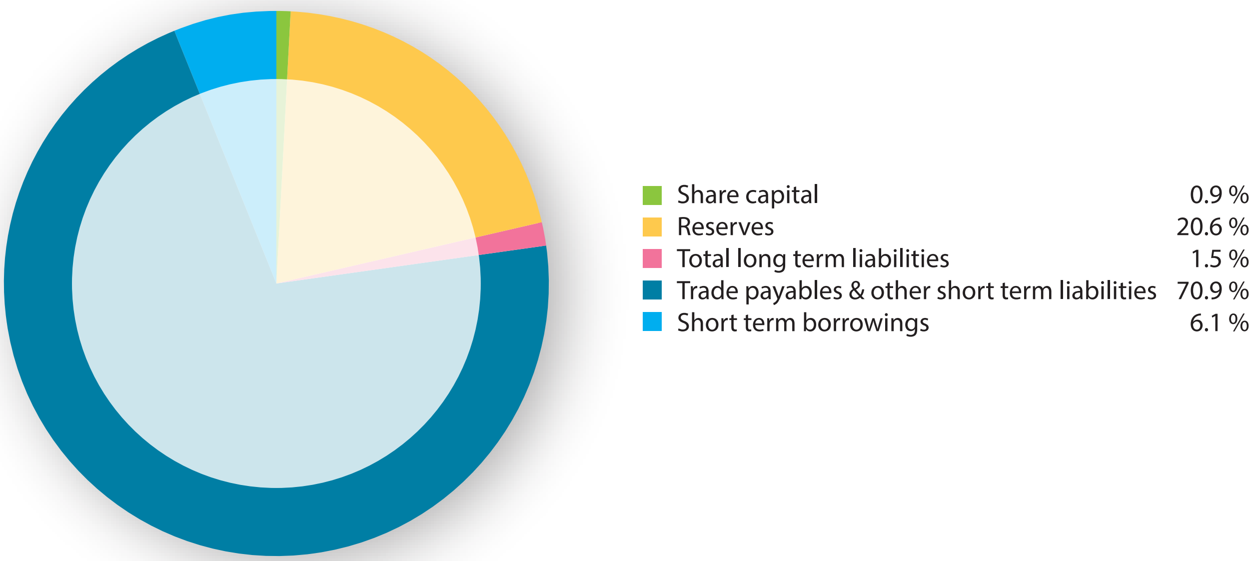
Property, plant and equipment	2.0 %
Long term investment	17.1 %
Trade debts	27.2 %
Stock-in-trade	37.6 %
Other receivables	9.4 %
Cash and bank balances	1.9 %
Other	4.8 %

COMPOSITION OF BALANCE SHEET

Equity and Liabilities FY 2014



Equity and Liabilities FY 2013



HORIZONTAL AND VERTICAL ANALYSIS - PROFIT & LOSS

VERTICAL ANALYSIS

	2014	2013	2012	2011	2010	2009
Sales	100%	100%	100%	100%	100%	100%
Sales Tax	14.50%	13.79%	13.66%	14.15%	13.52%	13.54%
IFEM/Levies	1.25%	1.23%	0.97%	1.68%	1.81%	1.28%
Net sales	84.26%	84.98%	85.37%	84.16%	84.68%	85.18%
Cost of products sold	81.65%	82.34%	82.51%	80.65%	81.35%	84.76%
Gross Profit	2.61%	2.64%	2.86%	3.52%	3.33%	0.42%
Other Income	1.38%	0.46%	0.81%	0.61%	0.86%	0.31%
Operating Costs						
Administrative & Marketing Expense	0.74%	0.79%	0.82%	0.89%	0.80%	0.95%
Other operating expenses	0.28%	0.27%	0.77%	0.23%	0.28%	0.56%
Total Operating Costs	1.02%	1.06%	1.60%	1.12%	1.07%	1.50%
Profit/(Loss) from operations	2.98%	2.04%	2.07%	3.01%	3.12%	-0.78%
Finance cost	0.68%	0.59%	0.97%	1.22%	1.13%	0.87%
Share of Profit of Associates	0.04%	0.04%	0.04%	0.05%	0.06%	0.06%
Profit/(Loss) before taxation	2.34%	1.49%	1.14%	1.84%	2.05%	-1.58%
Taxation	0.79%	0.51%	0.38%	0.33%	1.02%	0.65%
Profit/(Loss) after taxation	1.55%	0.98%	0.75%	1.52%	1.03%	-0.93%

HORIZONTAL ANALYSIS

Since 2009 was a loss making year, as depicted above in the vertical analysis, we have taken 2010 as a base year for the purpose of computation and horizontal analysis thereon.

	2014	2013	2012	2011	2010
Sales	161%	148%	137%	111%	100%
Sales Tax	172%	151%	138%	116%	100%
IFEM/Levies	111%	100%	73%	104%	100%
	165%	145%	131%	115%	100%
Net sales	160%	148%	138%	110%	100%
Cost of products sold	161%	149%	139%	110%	100%
Gross Profit	126%	117%	118%	118%	100%
Other Income	258%	78%	128%	79%	100%
Operating Costs					
Administrative & Marketing Expense	150%	146%	141%	124%	100%
Other operating expenses	161%	152%	384%	93%	100%
Total Operating Costs	153%	147%	203%	116%	100%
Profit from operations	154%	96%	91%	107%	100%
Finance cost	97%	77%	118%	120%	100%
Share of Profit of Associates	105%	111%	91%	100%	100%
Profit before taxation	184%	107%	76%	100%	100%
Taxation	125%	74%	52%	36%	100%
Profit after taxation	241%	140%	100%	163%	100%

COMMENTS ON HORIZONTAL AND VERTICAL ANALYSIS

Profit & Loss

Gross Sales Revenue

Gross sales revenue has increased from Rs. 877 bn in FY10 to Rs. 1.4 trillion in FY14 registering an increase of 61%. The increase in revenue over the periods is attributable to both volumetric and price increase.

Gross Profit

Gross profit has also increased over the years as per horizontal analysis in line with increase in sales. The vertical analysis shows gross profit percentage remaining in the range of 3% with the exception of 2009.

Other Income

Other income has witnessed a significant increase of 158% over the years. It was highest in 2014 due to receipt of interest income from IPPs and PIBs. As per vertical analysis, the share of other income has also increased due to the same reason.

Total Operating Cost

Total operating cost has grown steadily over the years registering an increase of 53% mainly due to an increase in cost of doing business, inflationary pressure and rupee devaluation. An abnormal increase was witnessed in 2012 due to heavy exchange losses of Rs. 8.6 bn because of sharp rupee devaluation of 10%.

Finance Cost

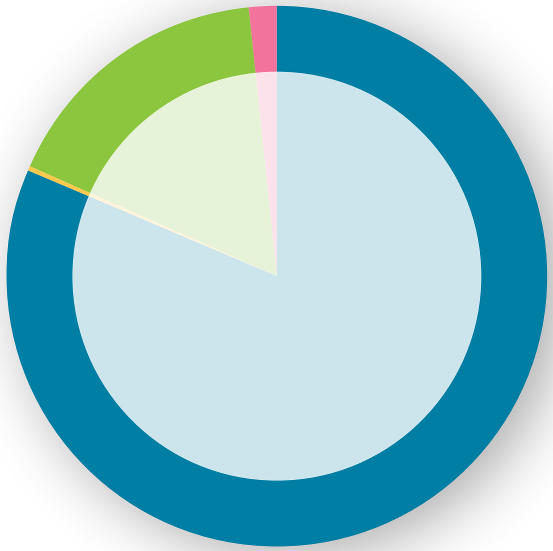
Finance cost has shown an increasing trend over the years when compared with 2010. This is mainly due to increase in markup on borrowings and delayed payment charges on account of prevailing circular debt situation. The finance cost was the lowest in 2013 due to partial settlement of circular debt issue during September 2012 and June 2013 respectively. However, in 2014 it has again increased due to the same reason mentioned above.

Profit after Tax

Profit after Tax (PAT) has shown an increase of 141% in comparision with FY10 mainly due to increase in gross profit and other income. As per vertical analysis, the PAT percentage has also remained in the range of 1% over the years except for the year 2009 and 2014 due to reasons mentioned above.

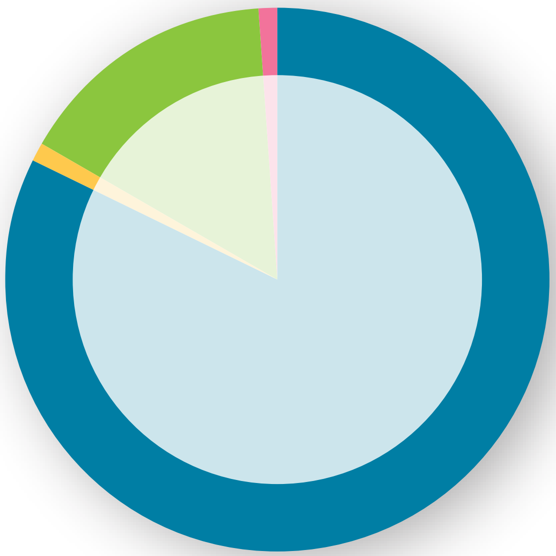
COMPOSITION OF PROFIT & LOSS

FY 2014 (% of sales)



Cost of goods sold	81.6 %
Total expenses (net of other income)	0.3 %
Duties & taxes	16.5 %
Profit after tax	1.6 %

FY 2013 (% of sales)



Cost of goods sold	82.3 %
Total expenses (net of other income)	1.2 %
Duties & taxes	15.5 %
Profit after tax	1.0 %

STATEMENT OF COMPLIANCE
with the Code of Corporate Governance

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company: Pakistan State Oil Company Limited
Name of Ministry: Ministry of Petroleum and Natural Resources
For the year ended: June 30, 2014

I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "The Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The Company has complied with the provisions of the Rules in the following manner:

S.No.	Provision of the Rules	Rule No.	Y	N	N/A*
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)			✓
2.	The Board has the requisite percentage of independent directors.	3(2)			✓
3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)			✓
4.	The members of Board of Management - Oil (BOM) have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓		
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)			✓
6.	The chairman of the BOM is working separately from the chief executive of the Company.	4(1)	✓		
7.	The chairman has been elected from amongst the independent members.	4(4)			✓
8.	The BOM has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)			✓
9.	(a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (www.psopk.com)	5(4)	✓		
	(b) The BOM has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓		
10.	The BOM has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		

S.No.	Provision of the Rules	Rule No.	Y	N	N/A*
11.	The BOM has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)		✓	
12.	The BOM has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)		✓	
13.	(a) The BOM has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓		
	(b) A Committee has been formed to investigating deviations from the company's code of conduct.	5(5)(c)(ii)	✓		
14.	The BOM has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5)(c)(iii)	✓		
15.	The BOM has developed a vision or mission statement, corporate strategy and significant policies of the company.	5(6)	✓		
	A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓		
16.	The BOM has quantified the outlay of any action in respect of any service delivered or a goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)			✓
17.	(a) The BOM has met at least four times during the year.	6(1)	✓		
	(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓		
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓		
18.	The BOM has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it.	8		✓	
	The BOM has also monitored and assessed the performance of senior management annually.	8	✓		

<table>
<tr><th>S.No.</th><th>Provision of the Rules</th><th>Rule No.</th><th>Y</th><th>N</th><th>N/A*</th></tr>
<tr><td>19.</td><td>The BOM has reviewed and approved the related party transactions placed before it after recommendations of the audit committee.
A party wise record of transactions entered into with the related parties during the year has been maintained.</td><td>9</td><td>✓</td><td></td><td></td></tr>
<tr><td>20.</td><td>The BOM has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.</td><td>10</td><td>✓</td><td></td><td></td></tr>
<tr><td>21.</td><td>All the BOM members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td></td><td>✓</td><td></td></tr>
<tr><td>22.</td><td>(a) The BOM has formed the requisite committees, as specified in the Rules.</td><td>12</td><td></td><td>✓</td><td></td></tr>
<tr><td></td><td>(b) The committees were provided with written term of reference defining their duties, authority and composition.</td><td>12</td><td>✓</td><td></td><td></td></tr>
<tr><td></td><td>(c) The minutes of the meetings of the committees were circulated to all the board members.</td><td>12</td><td>✓</td><td></td><td></td></tr>
<tr><td></td><td>(d) The committees were chaired by the following non –executive BOM members:</td><td>12</td><td></td><td></td><td></td></tr>
<tr><td></td><td>
<table>
<tr><th>Committee</th><th>Number of members</th><th>Name of chair</th></tr>
<tr><td>Audit Committee</td><td>Old Members : 5
New Members: 3</td><td>Mr. Wazir Ali Khoja
Mr. Shahid Islam</td></tr>
</table>
</td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td></td><td>
<table>
<tr><td>Risk Management Committee</td><td>Old Members: 5
New Members: 3</td><td>Dr. Mirza Ikhtiar Baig
Mr. Bilal Ejaz</td></tr>
</table>
</td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td></td><td>
<table>
<tr><td>Human Resources Committee</td><td>Old Members: 5
New Members: 4</td><td>Dr. Mirza Ikhtiar Baig
Mr. Umar Azim Daudpota</td></tr>
</table>
</td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td></td><td>
<table>
<tr><td>Procurement Committee</td><td>No committee formed</td><td>-</td></tr>
</table>
</td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td></td><td>
<table>
<tr><td>Nomination Committee</td><td>Not applicable</td><td>-</td></tr>
</table>
</td><td></td><td></td><td></td><td>✓</td></tr>
<tr><td>23.</td><td>The BOM has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.</td><td>13/14</td><td>✓</td><td></td><td></td></tr>
<tr><td>24.</td><td>The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Ordinance.</td><td>16</td><td>✓</td><td></td><td></td></tr>
</table>

<table>
<tr><th>S.No.</th><th>Provision of the Rules</th><th>Rule No.</th><th>Y</th><th>N</th><th>N/A*</th></tr>
<tr><td>25.</td><td>The report to the shareholders for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td><td></td></tr>
<tr><td>26.</td><td>The BOM members CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.</td><td>18</td><td>✓</td><td></td><td></td></tr>
<tr><td>27.</td><td>A formal and transparent procedure for fixing the remuneration packages of individual BOM members has been set in place.</td><td>19</td><td>✓</td><td></td><td></td></tr>
<tr><td></td><td>The annual report of the Company contains criteria and details of remuneration of each BOM members .</td><td>19</td><td>✓</td><td></td><td></td></tr>
<tr><td>28.</td><td>The financial statements of the company were duly endorsed by chief executive and chief financial officer, before approval of the BOM.</td><td>20</td><td>✓</td><td></td><td></td></tr>
<tr><td>29.</td><td>The BOM has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr>
<tr><td>Mr. Shahid Islam</td><td>Non-Executive</td><td>Chartered Accountant and experience of working as Managing Director and Director Finance of National Airline</td></tr>
<tr><td>Mr. Umar Azim Daudpota</td><td>Non-Executive</td><td>MBA and experience in the field of banking</td></tr>
<tr><td>Mr. Hussain Islam</td><td>Non-Executive</td><td>BSC in Finance and Master's in Law and Vice Chairman of Karachi Port Trust</td></tr>
</table>
The chief executive and chairman of the BOM are not members of the audit committee.</td><td>21</td><td>✓
✓</td><td></td><td></td></tr>
<tr><td>30.</td><td>The BOM has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.</td><td>22</td><td>✓</td><td></td><td></td></tr>
<tr><td>31.</td><td>The Company has appointed its external auditors in line with the requirements envisaged under the Rules.</td><td>23</td><td>✓</td><td></td><td></td></tr>
<tr><td>32.</td><td>The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.</td><td>23(4)</td><td>✓</td><td></td><td></td></tr>
<tr><td>33.</td><td>The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.</td><td>23(5)</td><td>✓</td><td></td><td></td></tr>
<tr><td>34.</td><td>The Company has complied with all the corporate and financial reporting requirements of the Rules.</td><td></td><td>✓</td><td></td><td></td></tr>
</table>

***Reasons for Non-applicability:**

The Public Sector Companies (Corporate Governance) Rules 2013 promulgated by the Securities and Exchange Commission of Pakistan (SECP) has laid down certain criterion for the election, functioning and responsibilities of the Board of Directors and the election of the Chairman and the appointment of the Chief Executive Officer. However, the said criterion of the Code are not considered applicable to the extent of overriding provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974, and Board of Management Regulations, 1974.

Additional requirements under Code of Corporate Governance, 2012

Clause 2(5) of the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 issued by the SECP requires that any disclosure required under any other directive, code, regulation or rules shall also be made in the statement of compliance, notwithstanding anything contained in the statement. Accordingly, below are the requirements of Code of Corporate Governance, 2012 applicable for listed companies for which parallel provisions do not exist in Public Sector Companies (Corporate Governance) Rules, 2013.

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

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

3. Out of total nine meetings of BOM held during the year, one meeting was chaired by the Chairman (who was appointed as Chairman on February 19, 2014). However, the remaining meetings were chaired by the Board member who was unanimously elected by the BOM to chair the Board meeting. The Board met at least once in every quarter.

4. Training programme were not arranged during the year for the members of BOM (including the Managing Director). However, the management is in process of arranging training programme for the members of BOM in due course.

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

6. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company.

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

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

9. The Company has complied with the corporate and financial reporting requirements of the Code of Corporate Governance, 2012 to the extent applicable in the light of the Marketing of Petroleum Products (Federal Control) Act, 1974.

10. We confirm that all other material principles enshrined in the Code of Corporate Governance 2012 have been complied with.

Amjad Parvez Janjua
Managing Director & CEO

Mujahid Eshai
Chairman-BoM

Reasons for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with [except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year]:

S.No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
1.	5(5)(b)(ii)	Procedure for disclosure of interest is a requirement of Rules which is to be formally documented in the conflict of interest policy of the Company.	Noted for consideration and compliance.
2.	5(5)(b)(vi)	A formal procedure for anticorruption policy is a requirement of Rules which is to be documented.	Noted for consideration and compliance.
3.	8 & 11	BOM to decide on the criteria against which the performance of Board members can be evaluated. Orientation course is planned for FY2015.	Measures will be taken to develop criteria against which the performance of Board members can be evaluated. Orientation course of directors has been planned for financial year 2014-15.
4.	12	Formation of Procurement Committee of BOM.	Noted for consideration.

Amjad Parvez Janjua
Managing Director & CEO

Mujahid Eshai
Chairman-BoM

Karachi: September 03, 2014

REVIEW REPORT TO THE MEMBERS

on the Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Codes') prepared by the Board of Management of Pakistan State Oil Company Limited for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Islamabad and Lahore Stock Exchanges where the Company is listed and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

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

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

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Management for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Management upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Moreover, the Code of Public Sector Companies (Corporate Governance) Rules, 2013 requires the Board to ensure compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules. We have only carried out procedures to check compliance with the above mentioned rules on a test basis as a part of the audit of financial statements.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended June 30, 2014 except that certain clauses are considered inapplicable due to overriding provisions of Marketing of Petroleum Products (Federal Control) Act, 1974 applicable to the Company, as explained in the Statement of Compliance with the Code of Corporate Governance 2012 and Public Sector Companies (Corporate Governance) Rules 2013.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the point/paragraph references where these are stated in the Statement of Compliance:

Point/paragraph

	Reference	Description
i.	S. No.11	As stated in the Explanation, procedure for disclosing conflict of interest has not been documented in the conflict of interest policy of the Company.
ii.	S. No.12	As stated in the Explanation, the Company has not developed and implemented anticorruption policy.
iii.	S. No.18	As stated in the Explanation, criteria for the performance evaluation of the members of the Board of management has not been established.
iv.	S. No.21	As stated in the Explanation, orientation course for BOM members has not been arranged.
v.	S. No.22	As stated in the Explanation, BOM's procurement committee has not yet been formed.
vi.	Paragraph 4	Training programme was not arranged during the year for the members of BOM, (refer to additional requirements of Code of Corporate Governance, 2012).

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Nadeem Yousuf Adil

Karachi: September 03, 2014

AUDITORS' REPORT TO THE MEMBERS
For the year ended June 30, 2014

We have audited the annexed balance sheet of Pakistan State Oil Company Limited ("the Company") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:
   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 3.1 to the financial statements with which we concur;
   ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

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

We draw attention to the following matters:

- Notes 15.1 to 15.4 to the financial statements. The Company considers the aggregate amount of Rs. 9,269.5 million due from the Government of Pakistan as good debts for reasons given in the notes;

- Note 24.1.1 to the financial statements regarding non-accrual of mark-up on delayed payments for reasons given in the aforementioned note; and

- Note 24.1.2 to the financial statements regarding tax implication of Rs. 958 million on the Company for the income tax assessment years 1996-97 and 1997-98 for which the case is pending in the Supreme Court of Pakistan.

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Nadeem Yousuf Adil

Karachi: September 03, 2014

BALANCE SHEET
As at June 30, 2014

	Note	June 30, 2014	June 30, 2013 (Restated)	July 01, 2012 (Restated)
			(Rupees in '000)	
ASSETS				
Non-current assets				
Property, plant and equipment	4	5,854,769	5,524,767	5,831,993
Intangibles	5	48,407	30,068	29,991
Long term investments	6	45,789,368	48,253,164	1,968,073
Long term loans, advances and receivables	7	340,681	380,213	385,497
Long term deposits and prepayments	8	139,271	113,093	123,740
Deferred tax	9	6,464,408	3,292,075	2,129,781
		58,636,904	57,593,380	10,469,075
Current assets				
Stores, spare parts and loose tools	10	189,335	138,775	134,431
Stock-in-trade	11	86,297,218	106,089,048	88,523,794
Trade debts	12	175,386,168	76,596,194	218,022,292
Loans and advances	13	543,817	490,606	526,118
Deposits and short term prepayments	14	2,458,323	2,405,618	2,528,406
Mark-up / interest receivable on investments		2,251,290	2,251,290	-
Other receivables	15	21,107,995	26,570,948	21,122,166
Taxation - net		4,673,470	4,586,321	5,314,752
Cash and bank balances	16	20,606,509	5,227,328	1,624,025
		313,514,125	224,356,128	337,795,984
Net assets in Bangladesh	17	-	-	-
Total assets		372,151,029	281,949,508	348,265,059
EQUITY AND LIABILITIES				
Equity				
Share capital	18	2,716,860	2,469,872	1,715,190
Reserves	19	75,904,297	58,172,917	46,619,053
		78,621,157	60,642,789	48,334,243
Non-current liabilities				
Retirement and other service benefits	20	5,183,609	4,271,222	4,981,632
Current liabilities				
Trade and other payables	21	194,008,480	198,645,034	247,943,538
Provisions	22	688,512	688,512	688,512
Accrued interest / mark-up on short term borrowings	23.3	1,328,197	432,270	544,485
Short term borrowings	23	92,321,074	17,269,681	45,772,649
		288,346,263	217,035,497	294,949,184
Total equity and liabilities		372,151,029	281,949,508	348,265,059
Contingencies and commitments	24			

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

Amjad Parvez Janjua
Managing Director & CEO

Mujahid Eshai
Chariman-BoM

PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2014

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Sales - net of trade discounts and allowances amounting to Rs. 521,378 thousand (2013: Rs. 1,279,813 thousand)		1,409,574,264	1,294,503,247
Less:			
- Sales tax		(204,360,034)	(178,504,835)
- Inland freight equalization margin		(17,574,914)	(15,876,094)
		(221,934,948)	(194,380,929)
Net sales		1,187,639,316	1,100,122,318
Cost of products sold	25	(1,150,815,228)	(1,065,961,380)
Gross profit		36,824,088	34,160,938
Other income	26	19,517,674	5,939,114
Operating costs			
Distribution and marketing expenses	27	(8,395,769)	(8,399,841)
Administrative expenses	28	(2,084,165)	(1,806,689)
Other operating expenses	29	(3,890,061)	(3,663,835)
		(14,369,995)	(13,870,365)
Profit from operations		41,971,767	26,229,687
Finance costs	30	(9,544,109)	(7,591,156)
		32,427,658	18,638,531
Share of profit of associates	6.3.1	541,529	571,102
Profit before taxation		32,969,187	19,209,633
Taxation	31	(11,151,052)	(6,571,854)
Profit for the year		21,818,135	12,637,779
		(Rupees)	
			(Restated)
Earnings per share - basic and diluted	32	80.31	46.52

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

Amjad Parvez Janjua
Managing Director & CEO

Mujahid Eshai
Chariman-BoM

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2014

	2014	2013 (Restated)
	(Rupees in '000)	
Profit for the year	21,818,135	12,637,779
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Share of actuarial losses on remeasurement of post employment benefit plan of associate	(711)	-
Actuarial (losses)/gain on remeasurement of post employement benefit plans	(1,523,865)	456,084
Less: deferred tax thereon	154,492	(155,069)
current tax thereon	357,954	-
	(1,011,419)	301,015
Unrealised gain due to change in the fair value of long-term available-for-sale investment (refer note 6.2)	527,263	150,951
Reversal of deferred tax asset recognised on actuarial losses on its realisation	(608,653)	-
Current tax benefit on actuarial losses	608,653	-
	-	-
Items that may be reclassified subsequently to profit or loss:		
Share of unrealized (loss)/gain due to change in fair value of available-for-sale investment in associates	(791)	6,443
Unrealized (loss)/gain due to change in fair value of other long-term available-for-sale investments	(2,613,532)	235,926
Less: deferred tax thereon	864,840	(80,215)
	(1,748,692)	155,711
Total comprehensive income for the year	19,583,785	13,251,899

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

Amjad Parvez Janjua
Managing Director & CEO

Mujahid Eshai
Chariman-BoM

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2014

	Capital reserves				Revenue reserves		
	Share capital	Surplus on vesting of net assets	Unrealised gain/(loss) on remeasurement of long term investments available-for-sale	Company's share of unrealised gain/(loss) on available-for-sale investment in associates	General reserve	Unappropriated profit	Total
	(Rupees in '000)						
Balance as at July 1, 2012 as previously reported	1,715,190	3,373	346,848	1,431	25,282,373	22,610,693	49,959,908
Effect of change in accounting policy due to application of IAS 19 (Revised) - (note 3.1.1)							
Actuarial losses and past service cost	-	-	-	-	-	(2,463,130)	(2,463,130)
Less: deferred tax thereon	-	-	-	-	-	837,465	837,465
	-	-	-	-	-	(1,625,665)	(1,625,665)
Balance as at July 1, 2012 (Restated)	1,715,190	3,373	346,848	1,431	25,282,373	20,985,028	48,334,243
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	12,557,945	12,557,945
Effect of change in accounting policy resulting in reversal of previously amortized actuarial losses and past service cost (note 3.1.1)	-	-	-	-	-	120,961	120,961
Less: deferred tax thereon	-	-	-	-	-	(41,126)	(41,126)
	-	-	-	-	-	79,835	79,835
Profit for the year (Restated)	-	-	-	-	-	12,637,780	12,637,780
Other comprehensive income							
Unrealised gain due to change in fair value of long-term available for sale investments	-	-	386,877	-	-	-	386,877
Less: deferred tax thereon	-	-	(80,215)	-	-	-	(80,215)
	-	-	306,662	-	-	-	306,662
Share of unrealised gain due to change in fair value of available-for-sale investment in associates	-	-	-	6,443	-	-	6,443
Gain on remeasurement of retirement and other service benefits (note 3.1.1)	-	-	-	-	-	456,084	456,084
Less: deferred tax thereon	-	-	-	-	-	(155,069)	(155,069)
	-	-	-	-	-	301,015	301,015
	-	-	306,662	6,443	-	301,015	614,120
Total comprehensive income for the year (Restated)	-	-	306,662	6,443	-	12,938,795	13,251,900
Transaction with the owners							
Final dividend for the year ended June 30, 2012 @ Rs. 2.5 per share	-	-	-	-	-	(428,797)	(428,797)
Bonus shares issue for the year ended June 30, 2012 @ 20%	343,037	-	-	-	-	(343,037)	-
Interim dividend for the year ended June 30, 2013 @ Rs. 2.5 per share	-	-	-	-	-	(514,557)	(514,557)
Bonus shares issue for the year ended June 30, 2013 @ 20%	411,645	-	-	-	-	(411,645)	-
	754,682	-	-	-	-	(1,698,036)	(943,354)
Balance as at June 30, 2013 (Restated)	2,469,872	3,373	653,510	7,874	25,282,373	32,225,787	60,642,789
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	21,818,135	21,818,135
Other comprehensive income							
Unrealised loss due to change in fair value of long-term available for sale investments	-	-	(2,086,269)	-	-	-	(2,086,269)
Less: deferred tax thereon	-	-	864,840	-	-	-	864,840
	-	-	(1,221,429)	-	-	-	(1,221,429)
Transfer of unrealised gain on available-for-sale investment due to change in classification as explained in note 6.2	-	-	(1,025,061)	-	-	1,025,061	-
Share of actuarial losses on remeasurement of post employment benefit plan of associate	-	-	-	-	-	(711)	(711)
Share of unrealised gain due to change in fair value of available-for-sale investment in associates	-	-	-	(791)	-	-	(791)
Loss on remeasurement of retirement and other service benefits	-	-	-	-	-	(1,523,865)	(1,523,865)
Less: deferred tax thereon	-	-	-	-	-	154,492	154,492
Less: current tax thereon	-	-	-	-	-	357,954	357,954
	-	-	-	-	-	(1,011,419)	(1,011,419)
Reversal of deferred tax asset recognised on actuarial losses on its realisation	-	-	-	-	-	(608,653)	(608,653)
Current tax benefit on actuarial losses	-	-	-	-	-	608,653	608,653
	-	-	(2,246,490)	(791)	-	12,931	(2,234,350)
	-	-	(2,246,490)	(791)	-	21,831,066	19,583,785
Transaction with the owners							
Final dividend for the year ended June 30, 2013 @ Rs. 2.5 per share	-	-	-	-	-	(617,468)	(617,468)
Interim dividend for the year ended June 30, 2014 @ Rs. 4 per share	-	-	-	-	-	(987,949)	(987,949)
Bonus shares issue for the year ended June 30, 2014 @ 10%	246,988	-	-	-	-	(246,988)	-
	246,988	-	-	-	-	(1,852,405)	(1,605,417)
Balance as at June 30, 2014	2,716,860	3,373	(1,592,980)	7,083	25,282,373	52,204,448	78,621,157

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

Amjad Parvez Janjua
Managing Director & CEO

Mujahid Eshai
Chariman-BoM

CASH FLOW STATEMENT
For the year ended June 30, 2014

	Note	2014	2013 (Restated)
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	33	(37,303,446)	93,565,423
Long-term loans, advances and receivables		39,532	5,284
Long-term deposits and prepayments		(26,178)	10,647
Taxes paid		(13,033,251)	(7,241,000)
Finance costs paid		(5,425,657)	(5,551,635)
Retirement and other service benefits paid		(1,576,643)	(1,344,626)
Net cash (used in) / generated from operations		(57,325,643)	79,444,093
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Pakistan Investment Bonds		-	(45,906,112)
Purchases of property, plant and equipment		(1,372,676)	(845,468)
Purchases of intangible assets		(35,405)	(14,945)
Proceeds from disposal of operating assets		12,068	16,784
Dividends received		635,703	643,137
Net cash used in investing activities		(760,310)	(46,106,604)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term finances obtained / (repaid)		65,268,067	(10,466,897)
Dividends paid		(1,586,259)	(1,231,218)
Net cash generated from / (used in) financing activities		63,681,808	(11,698,115)
Net increase in cash and cash equivalents		5,595,855	21,639,374
Cash and cash equivalents at beginning of the year		3,523,233	(18,116,141)
Cash and cash equivalents at end of the year	34	9,119,088	3,523,233

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

Amjad Parvez Janjua
Managing Director & CEO

Mujahid Eshai
Chariman-BoM

(Amounts in Rs.'000)

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant effect on the amounts recognized in the financial statements are included in the following notes:

(Amounts in Rs.'000)

- Residual values and useful lives of property, plant and equipment (note 3.2);
- Useful lives of intangibles (note 3.3);
- Valuation of investments (notes 3.4 & 3.5);
- Valuation of stores, spares and loose tools and stock in trade (notes 3.6 & 3.7);
- Provision for impairment of trade debts and other receivables (note 3.8);
- Provision for impairment of financial and non-financial assets (note 3.10);
- Provision for retirement and other service benefits (note 3.12); and
- Taxation (note 3.17).

2.5 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments and interpretations to approved accounting standards that became effective during the year

The amendments to the following standards have been adopted by the Company for the first time for the financial year beginning on July 1, 2013.

IAS 19 'Employee Benefits ' was revised in June 2011. The changes on the Company's accounting policies are to immediately recognise all past service costs and actuarial gains or losses; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 3.1 for the impact on the financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

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

The following standards and amendments to published standards are effective for the Company's accounting periods beginning on or after July 1, 2014 (although available for early adoption) and have not been early adopted by the Company:

- IAS 19 (Amendment) 'Employee Benefits: Employee contributions' (effective from periods beginning on or after July 1, 2014). The amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.

- IAS 27 (Revised 2011) 'Separate Financial Statements' (effective from accounting period beginning on or after January 01, 2015). IAS 27 (Revised 2011) will concurrently apply with IFRS 10. The revised Standard sets out the requirements regarding seperate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the seperate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

- IAS 28 (Revised 2011) 'Investment in Associates and Joint Ventures' (effective from accounting periods beginning on or after January 01, 2015). Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

- IAS 32 (Amendment) 'Financial Instruments: Presentation - Offsetting financial assets and financial liabilities' (effective for periods beginning on or after January 1, 2014). These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Company by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The amendments are not likely to have an impact on Company's financial statements.

- IAS 36 'Impairment of assets - Recoverable amount disclosures for non-financial assets' (effective for periods beginning on or after January 1, 2014).

  The amendments have removed:

  - the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognised (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and

  - have introduced additional disclosure requirements in respect of assets for which an impairment has been recognised or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting (effective for periods beginning on or after January 1, 2014). The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

- IFRS 10 - Consolidated Financial Statements (effective from accounting periods beginning on or after January 01, 2015). Earlier adoption is encouraged. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

(Amounts in Rs.'000)

- IFRS 11 - Joint Arrangements (effective from accounting periods beginning on or after January 01, 2015). IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

- IFRS 12 - Disclosure of Interests in Other Entities (effective from accounting periods beginning on or after January 01, 2015). IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

- IFRS 13 - Fair Value Measurement (effective from accounting periods beginning on or after January 01, 2015). IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

- IFRIC 21 - Levies (effective for periods beginning on or after January 1, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy. The interpretations are not likely to have an impact on Company's financial statements.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

    - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

    - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

    - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Other than the aforesaid standards and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

2.6 Share based payments and Benazir Employees Stock Option Scheme

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

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

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

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

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

(Amounts in Rs.'000)

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs. 209,238, profit after taxation would have been lower by Rs. 209,238, retained earnings would have been lower by Rs. 1,229,498, earnings per share would have been lower by Rs. 0.77 per share and reserves (excluding retained earnings) would have been higher by Rs. 1,229,498. Further as per the Ministry of Finance's letter dated May 19, 2014, the scheme is being revamped.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013 except as stated in note 3.1.

3.1 Change in accounting policy

IAS - 19 Employee Benefits (Revised)

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost in the profit and loss account and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to be recorded in Statement of Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Revised) - 'Employee Benefits', the Company's policy for staff retirement benefits in respect of remeasurements and past service costs is amended as follows:

- The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income (OCI) in the periods in which they occur.

- Past sevice costs are recognized immediately in the profit and loss account in the period in which these arise.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and corresponding figures have been restated. Due to these restatements, the restated Balance Sheets as at June 30, 2013 & July 01, 2012, as required under International Accounting Standard 1 "Presentation of Financial Statements", have also been included.

3.1.1 The Company's financial statements are affected by the 'remeasurements and past service costs' relating to prior years. The reconciliation, considering effects of change in accounting policy, have been summarised below:

	Retirement and other service benefits	Deferred tax	Un-appropriated profit
Balance as at July 01, 2012 as previously reported	2,518,502	1,292,316	22,610,693
Recognition of previously unrecognised cumulative actuarial losses and past service cost as a result of adoption of IAS 19 (Revised):			
(i) recognition of cumulative unrecognised actuarial losses at July 01, 2012 in OCI	2,443,775	830,884	(1,612,891)
(ii) recognition of cumulative unrecognised past service cost at July 01, 2012 in un-appropriated profit	19,355	6,581	(12,774)
	2,463,130	837,465	(1,625,665)
Balance as at July 01, 2012 - as restated	4,981,632	2,129,781	20,985,028

(Amounts in Rs.'000)

	Retirement and other service benefits	Deferred tax	Un-appropriated profit
Balance as at June 30, 2013 as previously reported	2,385,137	2,650,805	33,470,602
Recognition of previously unrecognised cumulative actuarial losses and past service cost as a result of adoption of IAS 19 (Revised):			
(i) recognition of cumulative unrecognised actuarial losses/(gains) in OCI			
- as at June 30, 2012	2,443,775	830,884	(1,612,891)
- for the year ended June 30, 2013	(456,084)	(155,069)	301,015
	1,987,691	675,815	(1,311,876)
(ii) recognition of cumulative unrecognised past service costs at June 30, 2012 in un-appropriated profit	19,355	6,581	(12,774)
Reversal of actuarial losses and past service costs amortised during the year ended June 30, 2013 as a result of adoption of IAS 19 (Revised)	(120,961)	(41,126)	79,835
Balance as at June 30, 2013 - restated	4,271,222	3,292,075	32,225,787

The change in accounting policy has resulted in decrease in total comprehensive income by Rs. 967,258 (2013: increase of Rs. 380,850) the details of which are as follows:

	2014	2013
Impact on comprehensive income		
Profit and loss account		
Benefit/reversal of amortisation of actuarial losses and past service cost as a result of adoption of IAS 19 (Revised) from:		
- administrative expenses	**17,539**	31,707
- distribution and marketing expenses	**49,371**	89,255
Less: current tax effect thereon	**(22,749)**	(41,128)
Increase in profit for the period	**44,161**	79,834
Other comprehensive income		
Recognition of gain on remeasurement of retirement and other service benefits during the year	**(1,523,865)**	456,084
Less: deferred tax effect thereon	**154,492**	(155,068)
current tax effect thereon	**357,954**	-
	(1,011,419)	301,016
(Decrease)/increase in total comprehensive income for the year	**(967,258)**	380,850
Increase in earnings per share (Rupees)	**0.16**	0.29

(Amounts in Rs.'000)

3.1.2 Based on advice of the tax advisors, the Company will claim the net cumulative actuarial losses recognized in the comprehensive income of the previous years relating to approved retirement defined benefit plans as allowable tax expense for the year ended June 30, 2014 resulting in reduction in tax liability of Rs. 966,607.

3.2 Property, plant and equipment

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

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

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

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

3.3 Intangible assets - computer software

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

Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any, thereon.

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

(Amounts in Rs.'000)

3.4 Financial instruments

3.4.1 Financial assets

The Company classifies its financial assets at initial recognition in the following categories depending on the purpose for which the financial assets were acquired:

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

d) Held to maturity

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

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

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. Investments in associates are accounted for using the equity method as explained in note 3.5.

(Amounts in Rs.'000)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the profit and loss account as a reclassification adjustment. When an available-for-sale investment is converted into associated company, the balance in the surplus on revaluation of related asset is transferred to unappropriated profit. Mark-up on available-for-sale debt securities calculated using the effective interest rate method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established. Amortization of premium on acquisition of the investments is carried out using the effective yield method and charged to profit and loss account.

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

The investment of the Company in government securities is valued at its fair value (determined by reference to the quotation obtained from the PKRV rate sheet on the Reuter page), based on the remaining tenure of the securities.

The Company assesses at each balance sheet date whether there is objective evidence that any investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account. Policy relating to impairment testing of other financial assets is stated in note 3.10.

3.4.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective yield method.

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

3.5 Investment in associates

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

The Company's share of its associates' post acquisition profits or losses is recognised in profit and loss account and its share in associates' post acquisition comprehensive income is taken in Company's other comprehensive income. Cumulative post acquisition movements are adjusted against the carrying value of the investments. Distributions received from associates reduce the carrying amount of the investment. When the Company's share of losses in associate equals or exceeds its interest in the associate including any other long term unsecured receivable, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any, is recognized in the profit and loss account.

3.6 Stores, spare parts and loose tools

These are valued at moving average cost less impairment loss except for items in transit which are stated at invoice value plus other charges incurred thereon till the balance sheet date. Cost comprises invoice value and other direct costs but excludes borrowing costs. Provision is made for obsolete / slow moving items where necessary and is recognised in the profit and loss account.

3.7 Stock-in-trade

Stock in trade is valued at the lower of average cost or cost on first-in-first-out (FIFO) basis, and net realizable value except for stock in transit which is stated at cost (invoice value) plus other charges incurred thereon till the balance sheet date. The cost formula is dependent on the nature of the stock categories but the same formula is applied to all items of a similar nature. Cost comprise invoice value, charges like excise, custom duties and other similar levies and other direct costs.

Provision is made for obsolete / slow moving stocks where necessary and recognised in the profit and loss account. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred in order to make a sale.

3.8 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method. A provision for impairment of trade debts and other receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is charged to the profit and loss account. Trade debts and other receivables are written off when considered irrecoverable.

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

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, with banks on current and deposit accounts, cheques in hand, demand draft and running finance under mark-up arrangements. Running finances under mark-up arrangements are shown with short term borrowings in current liabilities on the balance sheet.

3.10 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence which indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognised.

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 such an indication exists, the asset's recoverable amount is estimated to

(Amounts in Rs.'000)

determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in the profit and loss account. 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 is 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, net of depreciation or amortization, if no impairment loss had been recognized.

3.11 Share capital

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

3.12 Retirement and other service benefits

3.12.1 Pension funds

The Company operates approved funded defined benefit pension schemes separately for both management and non-management employees. The schemes provide pension based on the employees' last drawn salary. Pensions are payable for life and thereafter to surviving spouses and / or dependent children. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. As explained in note 3.1, upon application of IAS 19 (Revised) 'Employee Benefits' actuarial gains or losses (re-measurements) are immediately recognized in 'Other Comprehensive Income' as they occur. Previously actuarial gains or losses exceeding 10% of the greater of the present value of the defined benefit obligation and fair value of plan assets were being recognized in the profit or loss over the expected average remaining working lives of employees participating in the plan. The amount recognised in the balance sheet represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Past service costs are recognised immediately in the profit and loss account. Current service costs and any past service costs together with net interest cost are charged to expenses.

3.12.2 Gratuity fund

The Company also operates an approved funded defined benefit gratuity scheme for all its permanent employees. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. As explained in note 3.1, upon application of IAS 19 (Revised) 'Employee Benefits' actuarial gains or losses (re-measurements) are immediately recognized in 'Other Comprehensive Income' as they occur. Previously actuarial gains or losses exceeding 10% of the greater of the present value of the defined benefit obligation and fair value of plan assets were being recognized in the profit or loss over the expected average remaining working lives of employees participating in the plan. The amount recognised in the balance sheet represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Past service costs are recognised immediately in the profit and loss account. Current service costs and any past service costs together with net interest cost are charged to expenses.

3.12.3 Post retirement medical benefits

The Company also provides post retirement medical benefits to its permanent employees except for those management employees who joined the Company after July 1, 2001. Under the unfunded scheme all such employees and their spouses are entitled to the benefits. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. As explained in note 3.1, upon application of IAS 19 (Revised) 'Employee Benefits' actuarial gains or losses (re-measurements) are immediately recognized in 'Other Comprehensive Income' as they occur. Previously, actuarial gains or losses were being recognized in the profit or loss accout. The amount recognised in the balance sheet represents the present value of defined benefit obligations. Current service costs and any past service costs together with net interest cost are charged to expenses.

3.12.4 Compensated absences

The Company provides for compensated absences on the basis of actuarial valuation in accordance with the requirement of IAS 19 ''Employees Benefits''. Actuarial valuation of the scheme is carried out every year and the latest valuation was carried out at June 30, 2014.

3.13 Provident fund

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

3.14 Borrowings

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

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

3.15 Trade and other payables

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

3.16 Provisions

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

(Amounts in Rs.'000)

3.17 Taxation

3.17.1 Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to the profit and loss account except to the extent it relates to items recognized directly in other comprehensive income in which case it is also recognized in other comprehensive income.

3.17.2 Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences including on investments in associates and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are remeasured at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account except to the extent it relates to items recognised directly in equity / other comprehensive income in which case it is also recognised in equity / other comprehensive income.

3.18 Foreign currency transactions and translation

Transactions in foreign currencies are translated into functional currency using exchange rates approximating those ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses from the settlement of foreign currency transactions and translation of monetary assets and liabilities at the rates prevailing at the balance sheet date are included in profit and loss account.

3.19 Offsetting of financial assets and liabilities

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

3.20 Revenue recognition

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

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

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

(Amounts in Rs.'000)

- Mark-up / Interest on debt securities is recognized on time proportion basis using effective interest rate method.

- Handling, storage and other services income are recognized when the services have been rendered.

- Mark-up on delayed payment charges are recognised on receipt basis.

- Return on deposits and other financial assets is recognized on accrual basis.

3.21 Borrowing costs

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

3.22 Dividend and appropriation to reserves

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

3.23 Earnings per share

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
Operating assets	4.1	4,594,433	4,830,587
Capital work-in-progress	4.3	1,260,336	694,180
		5,854,769	5,524,767

NOTES TO THE FINANCIAL STATEMENTS For the year ended June 30, 2014

4.1 OPERATING ASSETS

(Amounts in Rs. '000)

	Land		Building		Leasehold improvements	Tanks and pipelines	Service and filling stations (note 4.1.2)	Plant and machinery	Furniture and fittings	Vehicles and other rolling stock	Office equipments	Railway sidings	Gas cylinders / regulators	Total
	Freehold	Leasehold	On freehold land	On leasehold land										
As at July 01, 2012														
Cost	174,173	128,417	607,647	1,092,637	741	3,417,331	8,374,838	3,156,518	270,465	895,076	552,024	53,267	134,972	18,858,106
Accumulated depreciation	-	(26,990)	(463,735)	(493,486)	(741)	(3,024,155)	(5,834,336)	(2,085,155)	(242,265)	(710,304)	(467,805)	(51,299)	(118,398)	(13,518,669)
Net book value	174,173	101,427	143,912	599,151	-	393,176	2,540,502	1,071,363	28,200	184,772	84,219	1,968	16,574	5,339,437
Year ended June 30, 2013														
Opening net book value	174,173	101,427	143,912	599,151	-	393,176	2,540,502	1,071,363	28,200	184,772	84,219	1,968	16,574	5,339,437
Additions	-	-	4,890	43,894	-	69,837	213,282	142,988	8,624	126,526	33,803	-	-	643,844
Disposals														
Cost	-	-	-	(7)	-	(13,163)	(2,002)	(7,518)	(1,166)	(29,020)	(8,081)	-	(5)	(60,962)
Depreciation	-	-	-	7	-	13,006	1,864	7,287	1,096	21,886	8,078	-	5	53,229
	-	-	-	-	-	(157)	(138)	(231)	(70)	(7,134)	(3)	-	-	(7,733)
Depreciation charge	-	(1,706)	(25,557)	(54,100)	-	(93,960)	(621,446)	(220,284)	(14,197)	(74,839)	(35,408)	(827)	(2,637)	(1,144,961)
Closing net book value	174,173	99,721	123,245	588,945	-	368,896	2,132,200	993,836	22,557	229,325	82,611	1,141	13,937	4,830,587
As at June 30, 2013														
Cost	174,173	128,417	612,537	1,136,524	741	3,474,005	8,586,118	3,291,988	277,923	992,582	577,746	53,267	134,967	19,440,988
Accumulated depreciation / amortization	-	(28,696)	(489,292)	(547,579)	(741)	(3,105,109)	(6,453,918)	(2,298,152)	(255,366)	(763,257)	(495,135)	(52,126)	(121,030)	(14,610,401)
Net book value	174,173	99,721	123,245	588,945	-	368,896	2,132,200	993,836	22,557	229,325	82,611	1,141	13,937	4,830,587
Year ended June 30, 2014														
Opening net book value	174,173	99,721	123,245	588,945	-	368,896	2,132,200	993,836	22,557	229,325	82,611	1,141	13,937	4,830,587
Additions	34,699	-	-	14,148	-	96,566	340,585	54,130	24,131	180,993	56,347	-	4,921	806,520
Disposals														
Cost	-	-	(1,491)	(5,651)	-	(19,472)	(8,451)	(29,089)	(60,332)	(13,477)	(1,241)	-	(53)	(139,257)
Depreciation	-	-	1,491	5,537	-	19,337	8,284	28,951	60,245	8,885	1,184	-	38	133,952
	-	-	-	(114)	-	(135)	(167)	(138)	(87)	(4,592)	(57)	-	(15)	(5,305)
Depreciation charge	-	(1,705)	(22,646)	(54,332)	-	(71,610)	(520,955)	(215,507)	(12,518)	(100,191)	(34,739)	(382)	(2,784)	(1,037,369)
Closing net book value	208,872	98,016	100,599	548,647	-	393,717	1,951,663	832,321	34,083	305,535	104,162	759	16,059	4,594,433
As at June 30, 2014														
Cost	208,872	128,417	611,046	1,145,021	741	3,551,099	8,918,252	3,317,029	241,722	1,160,098	632,852	53,267	139,835	20,108,251
Accumulated depreciation / amortization	-	(30,401)	(510,447)	(596,374)	(741)	(3,157,382)	(6,966,589)	(2,484,708)	(207,639)	(854,563)	(528,690)	(52,508)	(123,776)	(15,513,818)
Net book value	208,872	98,016	100,599	548,647	-	393,717	1,951,663	832,321	34,083	305,535	104,162	759	16,059	4,594,433
Annual rate of depreciation (%)	-	1-5	5	5	20	10	10	10-20	10-20	20	20-33	10	10	

(Amounts in Rs.'000)

	Note	2014	2013
4.1.1 Allocation of depreciation for the year			
Depreciation for the year has been allocated as follows:			
Distribution and marketing expenses	27	973,702	1,082,712
Administrative expenses	28	63,667	62,249
		1,037,369	1,144,961

4.1.2 Service and filling stations include cost of Rs. 8,466,309 (2013: Rs. 8,137,590) incurred by the Company on underground storage tanks, dispensing units and other equipment, and construction and related work. It also includes cost incurred on modernization and development under the "New Vision Scheme" on approximately 1,778 (2013: 1,734) out of the total 3,805 (2013: 3,775) retail filling station of dealers. In view of large number of dealers, the management considers it impracticable to disclose particulars of assets not in the possession of the Company as required under the Fourth Schedule to the Companies Ordinance, 1984. Furthermore, gas cylinders amounting to Rs. 139,835 (2013: Rs. 134,967) are not in possession of the Company.

4.1.3 Included in operating fixed assets are assets which are fully depreciated having cost of Rs. 9,934,043 (2013: Rs. 8,634,712).

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

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
Tanks and pipelines	278	144	134	31	Tender	M/s Fahad Khan & Company L-841, Shireen Jinnah Colony, No 4, Clifton, Karachi
Vehicles	1,725	284	1,441	1,441	Company Policy	Mr. Col Fazzle Abbas Ex-employee of the Company
	1,577	208	1,369	1,369	Company Policy	Mr. Masroor Qasim Ex-employee of the Company
	1,426	1,147	279	285	Company Policy	Mr. Tariq Akbar Khan Employee of the Company
	1,037	835	202	207	Company Policy	Mr. Naimatullah Behan Employee of the Company
	1,400	686	714	668	Company Policy	Mr. S. Nazir A.Zaidi Employee of the Company
	1,525	938	587	587	Company Policy	Mr.Zulfiqar A. Jafferi Ex-employee of the Company
	8,690	4,098	4,592	4,557		
Furniture and fixtures	155	94	61	2	Tender	M/s Umair Brothers Gulshan-e-Shujat Colony, Ismail Abad, Multan
Service and filling stations	476	385	91	85	Company Policy	M/s Mehran P/S Sakrand Deh-10 Bhoorakazi Ahmad Nawabshah
Plant and machinery	764	694	70	-	Insurance Claim	National Insurance Company Ltd. NICL Building, Abbasi Shaheed Road, Karachi (a related party)
Items having book value of less than Rupees fifty thousand each	128,894	128,537	357	7,393		
Year ended June 30, 2014	**139,257**	**133,952**	**5,305**	**12,068**		
Year ended June 30, 2013	60,962	53,229	7,733	16,784		

(Amounts in Rs.'000)

4.3 Capital work-in-progress	**2014**	2013
Tanks and pipelines	914,205	561,856
Service and filling stations	51,898	18,859
Plant and machinery	35,628	4,012
Furniture, fittings and equipment	29,071	600
Advance to suppliers and contractors for tanks, pipelines and storage development projects	29,290	33,012
Capital stores	200,244	75,841
	1,260,336	694,180

5. INTANGIBLES - computer softwares

	Note	**2014**	2013
Net carrying value			
Net book value at beginning of the year		30,068	29,991
Additions at cost		35,405	14,945
Disposal			
Cost		(1,608)	-
Amortization		1,608	-
		-	-
Amortization charge for the year	5.2 & 28	(17,066)	(14,868)
Net book value at end of the year		48,407	30,068
Gross carrying value			
Cost		345,768	311,972
Accumulated amortization		(297,361)	(281,904)
Net book value		48,407	30,068

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

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

(Amounts in Rs.'000)

6. LONG-TERM INVESTMENTS

	Note	2014	2013
Investment in related parties (available-for-sale)			
In Government securities - Pakistan Investment Bonds	6.1	43,007,145	46,139,185
In a quoted company - at fair value			
- Pakistan Refinery Limited			
Equity held 18% (2013: 18%)			
No. of shares: 6,300,000 (2013: 6,300,000) shares of Rs. 10 each	6.2	-	512,898
In an unquoted company - at cost			
- Pak-Arab Pipeline Company Limited (Government related entity)			
Equity held 12% (2013: 12%)			
No. of shares: 8,640,000 (2013: 8,640,000) shares of Rs. 100 each		864,000	864,000
		43,871,145	47,516,083
Investments in associates (equity method)			
In a quoted company			
- Pakistan Refinery Limited			
Equity held 18% (2013: 18%)	6.2	1,040,160	-
In unquoted companies	6.3		
- Asia Petroleum Limited (APL), Equity held 49% (2013: 49%)		805,730	667,255
- Pak Grease Manufacturing Company (Private) Limited (PGMCL), Equity held 22% (2013: 22%)		72,333	69,826
		878,063	737,081
		45,789,368	48,253,164

6.1 This represents investment in Pakistan Investment Bonds (PIBs) amounting to Rs. 45,906,112 made in June 2013 in accordance with plan duly approved by the Economic Coordination Committee (ECC), Government of Pakistan out of proceeds received against partial settlement of circular debt issue prevailing in the energy sector. The face value of these PIBs and premium paid by the Company are Rs. 43,836,800 and Rs. 2,069,312, respectively. These PIBs were issued on July 19, 2012 for a period of five years and will mature on July 19, 2017. These PIBs carry markup rate of 11.50% per annum which is receivable on six monthly basis. As at June 30, 2014, the carrying value (net of amortization of premium of Rs. 521,363) was Rs. 45,384,749 (2013: Rs. 45,903,259) and fair value of these bonds was Rs. 43,007,145 (2013: Rs. 46,139,185). Thus, an unrealized loss on remeasurement to fair value of Rs. 2,613,530 (2013: unrealized gain of Rs. 235,926) was recognized in other comprehensive income for the year ended June 30, 2014. As at June 30, 2014, PIBs of Rs. 38,753,460 were collateralized with various banks against borrowing facilities obtained by the Company.

6.2 On June 7, 2014, one additional director of the Company was elected on the Board of Directors of Pakistan Refinery Limited (PRL). As a result, effective from that date, PRL has become an associated undertaking for the purpose of accounting treatment under IAS 28 'Investment in Associates' though it does not fall under the definition of 'associated undertaking' under the provisions of the Companies Ordinance, 1984.

(Amounts in Rs.'000)

IAS 28 requires the investment in an associate to be accounted under the equity method from the date on which it becomes an associate. The investment has been designated as an Associate under IAS 28 and surplus on revaluation of investment in PRL previously classified as unrealised gain on 'available-for-sale' investment in the Company's books of account amounting to Rs. 1,025,061, has been taken to unappropriated profit, thus there is no effect on equity of the Company. The Company's share of post-acquisition profits/loss and other comprehensive income of PRL for the period from June 07, 2014 to June 30, 2014 is not material, therefore has not been considered in these financial statements.

6.3 Investment in associates

Number of shares 2014	Number of shares 2013	Face value per share (Rupees)	Name of the company	Note	2014	2013
46,058,570	46,058,570	10	Asia Petroleum Limited	6.3.1	805,730	667,255
			Pak Grease Manufacturing			
686,192	686,192	10	Company (Private) Limited	6.3.1	72,333	69,826
6,300,000	-	10	Pakistan Refinery Limited	6.2	1,040,160	-
					1,918,223	737,081

6.3.1 Movement of investment in associates

	2014 APL	2014 PGMCL	2014 Total	2013 APL	2013 PGMCL	2013 Total
Balance at beginning of the year	667,255	69,826	737,081	678,933	63,195	742,128
Share of profits						
- current year - unaudited	530,683	10,894	541,577	564,418	6,643	571,061
- adjustment for last year profits based on audited financial statements	-	(48)	(48)	(362)	403	41
	530,683	10,846	541,529	564,056	7,046	571,102
Unrealized gain on associates' investments (available-for-sale) - unaudited	-	(791)	(791)	-	6,443	6,443
Share of actuarial losses on remeasurement of post employment benefit plan of associate - unaudited	(711)	-	(711)	-	-	-
Dividend income	(391,497)	(7,548)	(399,045)	(575,734)	(6,858)	(582,592)
Balance at end of the year	805,730	72,333	878,063	667,255	69,826	737,081

6.3.2 The summarized financial information of the associates over which the Company exercises significant influence, based on the un-audited financial statements for the year ended June 30, 2014, is as follows:

	2014 *PRL	2014 APL	2014 PGMCL	2013 APL	2013 PGMCL
	(Un-audited)			(Audited)	
Total assets	37,705,478	1,967,570	363,646	2,175,656	350,612
Total liabilities	37,364,830	323,225	34,384	813,912	33,226
Revenues	127,282,295	1,989,779	27,124	2,039,390	300,179
(Loss) / profit after tax	(875,246)	1,083,027	49,516	1,151,873	30,197

* The summarized financial information is based on the un-audited condensed interim financial information of PRL for the nine months ended March 31, 2014.

(Amounts in Rs.'000)

7. LONG-TERM LOANS, ADVANCES AND RECEIVABLES

	Note	2014	2013
Loans - considered good			
Executives	7.1,7.2&7.4	154,609	156,774
Employees	7.2	71,219	113,710
		225,828	270,484
Current portion shown under current assets	13	(87,756)	(88,345)
		138,072	182,139
Advances - considered good			
Employees	7.3	82,721	86,351
Current portion shown under current assets	13	(36,632)	(25,291)
		46,089	61,060
Others			
- considered good		156,520	137,014
- considered doubtful		8,143	8,143
		164,663	145,157
Provision for impairment		(8,143)	(8,143)
		156,520	137,014
		340,681	380,213

7.1 Reconciliation of carrying amount of loans to executives:

	2014	2013
Balance at beginning of the year	156,774	136,846
Add: Disbursements	52,057	57,280
Less: Repayments	(54,222)	(37,352)
Balance at end of the year	154,609	156,774

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

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

7.4 The maximum aggregate amount outstanding at the end of any month during the year in respect of loans to executives was Rs. 161,110 (2013: Rs. 156,774).

(Amounts in Rs.'000)

8. LONG-TERM DEPOSITS AND PREPAYMENTS
- Considered good

	Note	2014	2013
Long-term deposits	8.1	61,442	59,956
Prepaid rentals		166,726	145,123
Less: Current portion shown under current assets	14	(88,897)	(91,986)
		77,829	53,137
		139,271	113,093

8.1 This includes deposits amounting to Rs. 52,646 (2013: 43,004) paid to related parties.

9. DEFERRED TAX

	2014	2013 (Restated)
Deductible temporary differences in respect of:		
Provision for:		
- retirement benefits	765,245	1,160,103
- doubtful trade debts	948,429	945,177
- doubtful receivables	453,131	393,259
- impairment of stores and spare parts	8,047	8,291
- excise, taxes and other duties	24,035	24,763
- impairment of stocks-in-trade	7,080	7,295
- tax amortization	567	404
Liabilities offered for taxation	3,906,263	1,390,787
Unrealized loss due to change in fair value of long-term available-for-sale securities (AFS)	784,624	-
Others	2,685	2,769
	6,900,106	3,932,848
Taxable temporary differences in respect of:		
- accelerated tax depreciation	(395,663)	(535,743)
- accelerated tax amortization	-	-
- investments in associates accounted for using equity method	(40,035)	(24,815)
- Unrealized gain due to change in fair value of long-term available-for-sale securities (AFS)	-	(80,215)
	(435,698)	(640,773)
	6,464,408	3,292,075

The net change of Rs. 3,172,333 in the deferred tax asset balance for the year has been recognized as under:

	2014	2013
- Profit and loss account	2,761,654	1,397,578
- Other comprehensive income	410,679	(235,284)
	3,172,333	1,162,294

(Amounts in Rs.'000)

10. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2014	2013
Stores		200,897	153,580
Spare parts and loose tools		12,823	9,580
		213,720	163,160
Less: Provision for impairment		(24,385)	(24,385)
		189,335	138,775

11. STOCK-IN-TRADE

	Note	2014	2013
Petroleum and other products (gross)	11.1	50,775,865	63,445,697
Less: Stock held on behalf of third parties	11.2	(2,089,649)	(1,921,244)
		48,686,216	61,524,453
Less: Provision for slow moving products - lubricants		(21,456)	(21,456)
		48,664,760	61,502,997
In pipeline system of Pak-Arab Pipeline Company Limited and Pak-Arab Refinery Limited		31,842,549	37,850,418
		80,507,309	99,353,415
Add: Charges incurred thereon		5,789,909	6,735,633
		86,297,218	106,089,048

11.1 Includes stock-in-transit amounting to Rs. 18,213,932 (2013: Rs. 26,979,261) and stocks held by:

	2014	2013
Pakistan Refinery Limited - associated undertaking	107,529	107,529
Shell Pakistan Limited	401,560	244,448
Byco Petroleum Pakistan Limited	4,333	4,270
	513,422	356,247

11.2 Includes stock held-in-trust on behalf of third parties, net of storage, handling and other charges amounting to Rs. 23,730 (2013: Rs. 23,730) recoverable there against.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

(Amounts in Rs.'000)

12. TRADE DEBTS

	Note	2014	2013
Considered good			
- Due from Government agencies and autonomous bodies			
- Secured	12.1 & 12.5	18,751	27,653,973
- Unsecured	12.5	108,374,726	11,922,844
		108,393,477	39,576,817
- Due from other customers			
- Secured	12.1	35,544	31,091
- Unsecured	12.2 & 12.5	66,957,147	36,988,286
		66,992,691	37,019,377
		175,386,168	76,596,194
Considered doubtful		2,874,026	2,779,934
Trade debt - gross		178,260,194	79,376,128
Provision for impairment	12.3 & 12.4	(2,874,026)	(2,779,934)
Trade debt - net		175,386,168	76,596,194

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

12.2 Included therein is an over due amount of Rs. 1,159,336 (2013: Rs. 4,731,491) receivable from K-Electric Limited (KEL) (formerly Karachi Electric Supply Company Limited) which has not been impaired. This pertains to supplies made to KEL during April 2011 under Gas Load Management Program (GLMP) arrangement which was approved by Economic Coordination Committee (ECC). The Company has entered into an understanding with KEL for recovery of these dues in equal weekly installments of Rs. 50,000 against which recovery of Rs. 300,000 has been made subsequent to the year end. The Company is confident to recover the remaining oustanding amount during the year ending June 30, 2015.

12.3 As at June 30, 2014, trade debts aggregating Rs. 3,046,791 (2013: Rs. 5,098,817) excluding those due from KEL of Rs. 1,159,336 as mentioned above, were past due, for which provision of Rs. 2,874,026 (2013: Rs. 2,779,934) has been recorded, being the impaired debts. The individually impaired debts relate to various customers including Government agencies and autonomous bodies which are facing difficult economic situations. The ageing of these past due trade debts is as follows:

	2014	2013
3 to 6 months	29,034	47,394
More than 6 months	3,017,757	5,051,423
	3,046,791	5,098,817

Based on the past experience, past track record and recoveries, the Company believes that the above past due trade debts do not require any provision for impairment except as provided in these financial statements.

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

	Note	2014	2013
Balance at beginning of the year		2,779,934	2,428,445
Provision during the year		646,188	589,805
Reversal due to recoveries during the year		(552,096)	(238,316)
	29	94,092	351,489
Balance at end of the year		2,874,026	2,779,934

(Amounts in Rs.'000)

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

	Up to 6 months	More than 6 months (Past Due)	**2014** (note 12.5.1)	2013
	(Net of subsequent recoveries)			
Water and Power Development Authority	75,998,464	553,358	97,912,546	34,087,183
K-Electric Limited (formerly Karachi Electric Supply Corporation)	-	859,336	5,243,147	12,234,691
Kot Addu Power Company Limited	995,084	-	7,203,084	4,525,363
Pakistan International Airlines Corporation	7,105,784	-	7,860,784	1,828,181
Pakistan Railways	-	-	951,766	1,285,321
National Logistic Cell	-	52,668	328,106	319,945
Oil & Gas Development Corporation Limited	19,584	71	388,464	416,768
Pakistan Steel Mills Corporation Limited	28	-	18,751	51,924
Heavy Industrial Complex Taxila	-	-	-	27,042
Director General Agriculture	-	-	2,193	7,874
Pakistan Petroleum Limited	-	-	20,569	21,841
Frontier Works Organization	-	-	156	7,301
Pakistan National Shipping Corporation	-	2,021	2,021	2,021
Sui Southern Gas Company Limited	-	-	2,471	3
Civil Aviation Authority	542	-	542	812
	84,119,486	1,467,454	119,934,600	54,816,270
Less: Provision for impairment (note 12.5.1)			(604,928)	(706,465)
Net receivable from related parties			119,329,672	54,109,805

Based on the past experience, past track record and recoveries, the Company believes that the above past due trade debts do not require any provision for impairment except as provided in these financial statements. Balance included above is net of subsequent recoveries amounting to Rs. 34,347,660.

12.5.1 These represent year end balances of the amounts due from related parties.

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

	2014	2013
Balance at beginning of the year	706,465	940,308
Provision during the year	2,874	2,169
Reversal due to recoveries during the year	(104,411)	(236,012)
	(101,537)	(233,843)
Balance at end of the year	604,928	706,465

(Amounts in Rs.'000)

13. LOANS AND ADVANCES - unsecured, considered good

	Note	2014	2013
Loan to executives and employees			
- Current portion of long-term loans including Rs. 96,331 (2013: Rs. 72,282) to executives	7	124,388	113,636
- Short term loans		82,756	61,051
		207,144	174,687
Advance to suppliers	13.1	121,203	100,043
Advance for Company-owned filling stations		215,470	215,876
		543,817	490,606

13.1 Includes Rs. 60,001 (2013: Rs. 60,001) to Pakistan Arab Refinery Company Limited, a related party, against purchase of Liquefied Petroleum Gas (LPG).

14. DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2014	2013
Deposits			
Duty and development surcharge		2,341,775	2,270,907
Prepayments			
Rentals and others		27,651	42,725
Current portion of long-term prepaid rentals	8	88,897	91,986
		116,548	134,711
		2,458,323	2,405,618

(Amounts in Rs.'000)

15. OTHER RECEIVABLES - unsecured

	Note	2014	2013
Due from Government of Pakistan (GoP), a related party, on account of:			
- Price differential claims			
- on imports (net of related liabilities) of motor gasoline	15.1	1,350,961	1,350,961
- on High Speed Diesel	15.2	602,603	789,757
- on Ethanol E-10 fuel		27,917	27,917
- on account of supply of Furnace Oil to KEL at Natural Gas prices	15.3	3,908,581	3,908,581
- Water and Power Development Authority (WAPDA) receivables	15.4	3,407,357	3,407,357
		9,297,419	9,484,573
- Excise, Petroleum Development Levy (PDL) and custom duty		268,018	268,018
- Sales tax refundable		867,935	6,278,714
		10,433,372	16,031,305
Less: Provision for impairment (related party)	15.5	(83,112)	(83,112)
		10,350,260	15,948,193
Handling and hospitality charges		895,747	832,605
Product claims - Insurance and other - considered doubtful		90,201	90,201
Less: Provision for impairment	15.5	(90,201)	(90,201)
		-	-
Receivables from Oil Marketing Companies		3,593,285	3,049,348
Inland Freight Equalization Margin (IFEM) including freight equalization receivable from GoP (related party)		3,880,242	4,534,868
Others			
- considered good	15.6	2,388,461	2,205,934
- considered doubtful		1,199,810	983,332
		3,588,271	3,189,266
Less: Provision for impairment	15.5	(1,199,810)	(983,332)
		2,388,461	2,205,934
		21,107,995	26,570,948

(Amounts in Rs.'000)

15.1 Import price differential on motor gasoline aggregating to Rs. 1,350,961 (2013: Rs. 1,350,961).

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

The Company continued to follow up this matter with MoP & NR for an early settlement of these claims and the concerned ministry has also confirmed vide its letter Ref. PL NP(4) /2010-F&P dated July 28, 2010 that the above mentioned claims are under process. During financial year 2010-2011, MoP & NR - GoP vide its letter No. PL-3(434)/2011Vol XII dated May 31, 2011 implemented the ECC decision whereby end consumer price of motor gasoline will be fixed at weighted average of ex-refinery (import parity) price and landed cost of imported product. Out of total claim of Rs. 6,350,961, the Company received an amount of Rs. 5,000,000 during the year ended June 30, 2012. MoP & NR vide its letter Ref. PL-7(4)/2012-13 dated March 1, 2013 informed the Ministry of Finance (MoF) regarding the balance amount payable to the Company and advised to include in budgetary allocation.

During the current year, the Company wrote a letter dated January 22, 2014 to Directorate General (Oil) MoP & NR, in response to their letter dated January 17, 2014, requesting their assistance for the inclusion of said claim in the Federal Budget 2014-15. Subsequently, MoP & NR vide its letter No. PL-7(4)/2012-13 dated February 12, 2014 incorporated the said claim in its Budget estimates for 2014-15 on account of price differential claims submitted to MoF for provision in Federal Budget. The Company is actively pursuing this matter with GoP through MoP & NR and is confident to recover the balance amount of Rs. 1,350,961 in due course of time.

15.2 Price differential claims (PDC) relating to certain HSD products aggregating Rs. 602,603 (2013: Rs. 789,757).

This represents the balance of price differential claims (PDC) due from GoP. These claims have arisen on the instructions of MoP & NR for keeping the consumer prices of HSD products stable.

The GoP vide letter No. 2(5)/2008-BR-1/398 dated April 25, 2012 directed the Company to adjust an amount of Rs. 514,600 against dividends payable to GoP. Accordingly, the Company adjusted entire amount of Rs. 514,600 (June 30, 2013: 327,445) out of dividends paid subsequent to that direction.

During the year, the Company wrote a letter dated January 22, 2014 to Directorate General (Oil) MoP & NR, in response to their letter dated January 17, 2014, requesting their assistance for the inclusion of said claim in the Federal Budget 2014-15. Subsequently, MoP & NR vide its letter No. PL-7(4)/2012-13 dated February 12, 2014 incorporated the said claim in its Budget estimates for 2014-15 on account of price differential claims submitted to MoF for provision in Federal Budget. The Company is actively pursuing this matter with GoP through parent Ministry and is confident to recover the balance amount in due course of time.

15.3 Price differential claim on account of supply of furnace oil to K-Electric Limited (KEL) (formerly Karachi Electric Supply Company Limited) at Natural Gas prices aggregating to Rs. 3,908,581 (2013: Rs. 3,908,581).

The Company received a directive from MoP & NR through letter No. NG(1)-7(58)09- LS(Vol-1) dated November 26, 2009 in which the Company was directed to supply furnace oil to KEL at the prices equivalent to natural gas prices plus applicable duties and taxes under the Natural Gas Load Management Program (GLMP) for Winter 2009-2010. As per this arrangement the differential cost between the natural gas and furnace oil would be borne by GoP and reimbursed directly to the Company by Ministry of Finance. The Company was again directed by GoP in May 2010 to supply furnace oil to KEL at natural gas prices. Accordingly, furnace oil was provided to KEL at natural gas prices which resulted in price differential claim of Rs. 5,708,581 out of which Rs. 1,800,000 were received from MoF in June 2010.

The Ministry of Water & Power (MoW&P) vide its letter dated December 24, 2012 requested MoF to settle the above mentioned claims at the earliest. The MoP & NR vide its letter No. DOM-3(17)/2013 dated April 19, 2013 has also requested MoF to process the claim of PSO at the earliest. During the period, the Company vide its letter No. PDC/96/13/001 dated December 19, 2013 requested the MoW&P for placing the request with MoF to include this claim in the Federal Budget 2014-15. Subsequently, MoW&P vide its letter dated March 26, 2014 requested the MoF for inclusion of the said claim in the Federal Budget 2014-15. The Company is confident to recover the balance amount in due course of time.

15.4 Price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO) aggregating Rs. 3,407,357 (2013: Rs. 3,407,357).

In 1996, through a decision taken at a meeting of the Privatisation Commission and Finance Division - GoP, the Company was advised to supply LSFO to Kot Addu Power Project at the HSFO price and WAPDA was advised to absorb the price differential between the two products. However, later on in accordance with the decision of ECC dated November 4, 2003, the Company was allowed to recover this amount through a pricing mechanism in addition to recovery of the amount outstanding against its other white oil claims for import price differential. As the validity period for said recovery mechanism expired on December 31, 2004, hence PSO could not make any recovery on this account through the recovery mechanism as other white oil price differential claims had to be recovered first which also could not be recovered in full through this recovery mechanism. However, the Company continued to follow up the matter with MoP & NR. In 2005, the Company submitted an independent report on the verification of the above claim to MoP & NR, upon their request. In 2006, a joint reconciliation exercise was carried out with WAPDA as per the decision taken in a meeting held on May 19, 2006 under the chairmanship of Additional Finance Secretary (GoP) and the final reconciliation statements were submitted to MoF and WAPDA. Subsequently, on February 3, 2007 the Company and WAPDA agreed upon the final receivable balance of Rs. 3,407,357. MoP & NR vide its letter No. PL-7(4)/2012-13 dated March 01, 2013 has requested the MoF to make a provision of the said amount in the Federal Budget 2013-2014.

During the current year, MoP & NR vide its letter No. PL-7(4)/2012-13 dated September 23, 2013 requested MoW&P to take up the matter with MoF to settle this long outstanding issue. The Company vide its letter No. PDC/96/13/001 dated December 19, 2013 requested the MoW&P for placing the request with MoF to include this claim in the Federal Budget 2014-2015. Further, MoP & NR had also issued a letter dated June 20, 2014 to MoW&P on said claim that till date no payment was recovered by PSO hence the said claim may also be recommended to MoF for budgetary provision. The Company is fully confident to recover the amount in due course of time as said is being consistently followed up with concerned Ministeries.

(Amounts in Rs.'000)

15.5 As at June 30, 2014 receivables aggregating to Rs. 1,373,123 (2013: Rs. 1,156,645) were deemed to be impaired, breakup of which is as follows, and hence provision was made there against amounting to Rs. 1,373,123 (2013: Rs. 1,156,645).

	Note	2014	2013
Provision against receivable from GoP		83,112	83,112
Provision against product claims		90,201	90,201
Provision against other receivables		1,199,810	983,332
		1,373,123	1,156,645
The movement in provision for impairment is as follows:			
Balance at beginning of the year		1,156,645	265,142
Provision made during the year	29	216,478	891,503
Balance at end of the year		1,373,123	1,156,645

15.6 Includes receivables of Rs. 31,358 (2013: Rs. 34,323) and Rs. nil (2013: Rs 161,205) on account of facility charges and dividend, respectively, from Asia Petroleum Limited (a related party).

15.7 As at June 30, 2014, receivables other than freight equalization, petroleum development levy and custom duty and sales tax refundable aggregating Rs. 16,174,912 (2013: Rs. 15,572,460) were past due but not impaired. The ageing of these receivables (net of provision) is as follows:

	2014	2013
Up to 3 months	3,896,942	3,258,938
3 to 6 months	410,020	68,557
More than 6 months	11,867,950	12,244,965
	16,174,912	15,572,460

16. CASH AND BANK BALANCES

	Note	2014	2013
Cash in hand		9,335	9,066
Cash at bank on:			
- current accounts	16.1	4,223,243	5,176,809
- profit and loss sharing accounts	16.2	16,373,931	41,453
		20,597,174	5,218,262
		20,606,509	5,227,328

16.1 Includes Rs. 1,164,000 (2013: Rs. 1,140,587) kept in a separate bank account in respect of security deposits received from the customers.

16.2 These balances carry mark-up ranging from 7% to 8.6% (2013: 5% to 9.5%) per annum.

(Amounts in Rs.'000)

17. NET ASSETS IN BANGLADESH

	2014	2013
Property, plant and equipment - at cost	46,968	46,968
Less: Accumulated depreciation	(16,056)	(16,056)
	30,912	30,912
Capital work in progress	809	809
Debtors	869	869
Long-term loans relating to assets in Bangladesh	(4,001)	(4,001)
	28,589	28,589
Less: Provision for impairment	(28,589)	(28,589)
	-	-

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

18. SHARE CAPITAL

18.1 Authorized capital

2014 (Number of shares)	2013 (Number of shares)		2014	2013
500,000,000	500,000,000	Ordinary shares of Rs. 10 each	5,000,000	5,000,000

18.2 Issued, subscribed and paid-up capital

2014 (Number of shares)	2013 (Number of shares)		2014	2013
3,000,000	3,000,000	Ordinary shares of Rs. 10 each issued for cash	30,000	30,000
7,694,469	7,694,469	Ordinary shares of Rs. 10 each issued against shares of the amalgamated companies	76,945	76,945
260,991,470	236,292,748	Ordinary shares of Rs. 10 each issued as bonus shares	2,609,915	2,362,927
271,685,939	246,987,217		2,716,860	2,469,872

18.3 Movement in issued, subscribed and paid-up share capital during the year

2014 (Number of shares)	2013 (Number of shares)		2014	2013
246,987,217	171,518,901	At beginning of the year	2,469,872	1,715,190
24,698,722	75,468,316	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	246,988	754,682
271,685,939	246,987,217	At end of the year	2,716,860	2,469,872

(Amounts in Rs.'000)

19. RESERVES

	Note	2014	2013 (Restated)
Capital reserve - Surplus on vesting of net assets	19.1	3,373	3,373
Unrealized (loss) / gain on revaluation of long-term available for sale investments - net of deferred tax		(1,592,980)	653,510
Company's share of unrealized gain on available-for-sale investments of associates		7,083	7,874
Revenue reserve			
- General reserve		25,282,373	25,282,373
- Unappropriated profit		52,204,448	32,225,787
		77,486,821	57,508,160
		75,904,297	58,172,917

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

20. RETIREMENT AND OTHER SERVICE BENEFITS

	Note	2014	2013 (Restated)
Gratuity	20.2	1,133,610	967,985
Pension	20.2	1,731,074	1,681,330
Medical benefits	20.2	2,015,823	1,404,519
Compensated absences		303,102	217,388
		5,183,609	4,271,222

20.1 The details of employee retirement and other service benefit obligations based on actuarial valuations carried out by independent actuary as at June 30, 2014 under the Projected Unit Credit Method are as follows:

(Amounts in Rs.'000)

20.2 Balance sheet reconciliation	Note	Gratuity fund 2014	Gratuity fund 2013 (Restated)	Pension funds 2014	Pension funds 2013 (Restated)	Medical benefits 2014	Medical benefits 2013 (Restated)
Present value of defined benefit obligations	20.2.1	3,951,877	3,172,309	7,800,697	6,268,180	2,015,823	1,404,519
Fair value of plan assets	20.2.2	(2,818,267)	(2,204,324)	(6,069,623)	(4,586,850)	-	-
Net liability at end of the year	20.2.5	1,133,610	967,985	1,731,074	1,681,330	2,015,823	1,404,519

20.2.1 Movement in present value of defined benefit obligations

Present value of defined benefit obligations at beginning of the year	3,172,309	2,903,619	6,268,180	5,781,499	1,404,519	1,258,599
Current service cost	167,785	160,301	185,209	180,213	38,258	34,370
Interest cost	345,510	388,322	687,234	778,450	153,844	169,014
Benefits paid during the year	(134,784)	(178,690)	(239,907)	(213,927)	(51,857)	(45,033)
Remeasurement: actuarial loss / (gain)	401,057	(101,243)	899,981	(258,055)	471,059	(12,431)
Present value of defined benefit obligations at end of the year	3,951,877	3,172,309	7,800,697	6,268,180	2,015,823	1,404,519

20.2.2 Movement in fair value of plan assets

Fair value of plan assets at beginning of the year	2,204,324	1,508,365	4,586,850	3,690,014
Expected return on plan assets	235,383	195,756	506,010	499,814
Contributions made by the Company	548,085	678,828	933,697	526,660
Benefits paid during the year	(134,784)	(178,690)	(239,907)	(213,927)
Remeasurement: actuarial loss / (gain)	(34,741)	65	282,973	84,289
Fair value of plan assets at end of the year	2,818,267	2,204,324	6,069,623	4,586,850

20.2.3 Expense recognized in profit and loss account

Current service cost	167,785	160,301	185,209	180,213	38,258	34,370
Net interest expense	110,127	192,566	181,224	278,636	153,844	169,014
Expense for the year	277,912	352,867	366,433	458,849	192,102	203,384

20.2.4 Remeasurement losses / (gains) recognised in other comprehensive income

Actuarial losses / (gains) on defined benefit obligation	401,057	(101,243)	899,981	(258,055)	471,059	(12,431)
Remeasurement of fair value of plan assets	34,741	(65)	(282,973)	(84,289)	-	-
Remeasurement losses / (gains)	435,798	(101,308)	617,008	(342,344)	471,059	(12,431)

(Amounts in Rs.'000)

20.2.5 Net recognized liability

	Gratuity fund		Pension funds		Medical benefits	
	2014	2013 (Restated)	**2014**	2013 (Restated)	**2014**	2013 (Restated)
Net liability at beginning of the year	967,985	1,395,254	1,681,330	2,091,485	1,404,519	1,258,599
Expense recognised in profit and loss account	277,912	352,867	366,433	458,849	192,102	203,384
Contributions during the year	(548,085)	(678,828)	(933,697)	(526,660)	(51,857)	(45,033)
Remeasurement losses / (gains) recognised in other comprehensive income	435,798	(101,308)	617,008	(342,344)	471,059	(12,431)
Net liability at end of the year	1,133,610	967,985	1,731,074	1,681,330	2,015,823	1,404,519

20.3 Plan assets comprise of following

	Gratuity fund 2014	Gratuity fund 2013	Pension funds 2014	Pension funds 2013
Cash and cash equivalents	604,933	586,565	1,009,344	776,595
Pakistan Investment Bonds	654,041	1,192,791	2,078,666	2,485,307
Special saving certificates	1,318,393	166,580	1,591,341	261,636
Treasury Bills	-	120,250	-	210,437
Term Finance Certificates	90,100	94,045	109,595	179,770
Mutual Funds	213,414	110,572	643,078	237,976
Quoted Shares	-	-	671,890	436,791
Liabilities	(62,614)	(66,479)	(34,291)	(1,662)
Fair value of plan assets at end of the year	2,818,267	2,204,324	6,069,623	4,586,850

20.3.1 Plan assets include the Company's ordinary shares with a fair value of Rs. 168,332 (2013: Rs. 71,788).

20.4 The principal assumptions used in the actuarial valuations carried out as of June 30, 2014, using the 'Projected Unit Credit' method, are as follows:

	Gratuity fund		Pension funds		Medical benefits		Compensated absences	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Discount rate per annum	13.00%	11.00%	13.00%	11.00%	13.00%	11.00%	13.00%	11.00%
Expected per annum rate of return on plan assets	13.00%	11.00%	13.00%	11.00%	-	-	-	-
Expected per annum rate of increase in future salaries	12.50%	10.50%	12.50%	10.50%	-	-	12.50%	10.50%
Expected per annum rate of increase in medical costs:								
- active employees	-	-	-	-	10.78%	7.25%	-	-
- pensioners	-	-	-	-	13.00%	7.25%	-	-
Indexation of pension	-	-	6.10%	4.23%	-	-	-	-
Expected mortality rate	SLIC (2001-05) Ultimate Mortality table	PMA/PFA 80 mortality table	SLIC (2001-05) Ultimate Mortality table	PMA/PFA 80 mortality table	SLIC (2001-05) Ultimate Mortality table	PMA/PFA 80 mortality table	SLIC (2001-05) Ultimate Mortality table	PMA/PFA 80 mortality table
Expected withdrawal rate	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent	Age dependent

(Amounts in Rs.'000)

20.4.1 The Plans expose the Company to the actuarial risks such as:

Salary risks
The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risks
The risks that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risks
The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

20.5 In case of the funded plans, the investment positions are managed by Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the retirement benefit plan. Duration and the expected yield of the investments are matched with the expected cash outflows arising from the retirement benefit plan obligations. The process used to manage its risks has not been changed from previous periods. Investments are well diversified and a large portion of Plans' assets in 2014 consist of Special Saving Certificates, Pakistan Investment Bonds.

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

Expected contributions to gratuity fund and pension funds for the year ending June 30, 2015 are Rs. 371,653 and Rs. 452,826 (2014: Rs. 277,912 and Rs. 366,433) respectively.

20.6 Sensitivity analysis for acturial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Gratuity fund	Pension funds	Medical benefits
Discount rate (1% increase)	267,175	957,207	332,307
Discount rate (1% decrease)	302,450	1,182,816	271,505
Future salary increase rate (1% increase)	319,892	445,086	5,062
Future salary increase rate (1% decrease)	286,952	397,152	128,277
Future pension increase rate (1% increase)	-	761,738	-
Future pension increase rate (1% decrease)	-	659,229	-
Medical cost trend rate (1% increase)	-	-	188,230
Medical cost trend rate (1% decrease)	-	-	277,477

If longevity increases by 1 year, obligation increases by Rs. 178,984.

(Amounts in Rs.'000)

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for grauity, pension and medical benefits recognized within the balance sheet.

20.7 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Fund, at the beginning of the year.

20.8 The weighted average duration of the defined benefit obligation is:

	2014
	Years
Gratuity fund	7.95
Pension funds	14.89
Medical benefits	20.45

20.9 The expected maturity analysis of undiscounted retirement benefit plans is:

	Gratuity fund	**Pension funds**	**Medical benefits**
Less than a year	303,761	280,952	59,682
Between 1-2 years	355,556	326,199	70,661
Between 2-3 years	562,389	383,831	83,895
Between 3-4 years	550,745	458,945	100,048
Between 4-5 years	587,100	540,304	118,750

(Amounts in Rs.'000)

21. TRADE AND OTHER PAYABLES

	Note	2014	2013
Creditors for:			
Purchase of oil			
- local	21.1	15,417,942	15,695,185
- foreign		113,350,515	122,499,140
		128,768,457	138,194,325
Others	21.2	2,011,494	1,308,117
		130,779,951	139,502,442
Security deposits	21.3	2,338,484	2,154,593
Accrued expenses and other liabilities	21.4 & 21.5	47,325,870	40,300,974
Due to oil marketing companies and refineries		310,624	211,359
Advances			
- from customers		5,093,918	8,281,839
- against equipments		1,898	518
		5,095,816	8,282,357
Taxes and other government dues			
- Excise, taxes and other duties		4,742,732	5,816,224
- Octroi		31,590	31,590
- Income tax deducted at source		90,218	119,372
		4,864,540	5,967,186
Workers' Profits Participation Fund	21.6	1,748,278	1,000,396
Workers' Welfare Fund		805,258	505,226
Unclaimed dividend		693,613	674,455
Others		46,046	46,046
		194,008,480	198,645,034

21.1 This includes amounts payable to the following related parties:

	2014	2013
Pak Arab Refinery Company Limited	7,528,754	2,214,303
Pakistan Refinery Limited	467,654	1,166,087
Pak Grease Manufacturing Company (Private) Limited	-	16,958
	7,996,408	3,397,348

21.2 Includes Rs. 113,090 (2013: Rs. 53,089) payable to Pakistan National Shipping Corporation, a related party, on account of freight charges. This also includes demurrage charges payable amounting to Rs. 1,642,990 (2013: Rs. 1,020,496).

21.3 Security deposits

	Note	2014	2013
Dealers	21.3.1	594,382	553,766
Equipment	21.3.2	193,012	182,493
Cartage contractors	21.3.3	586,964	606,204
Card holders	21.3.4	658,749	530,928
Suppliers	21.3.4	234,183	218,532
Others	21.3.4	71,194	62,670
		2,338,484	2,154,593

(Amounts in Rs.'000)

21.3.1 These represent interest-free deposits from dealers for the performance of their service as defined in the dealership agreements. The deposits are refundable on termination of dealership agreements and are payable on demand.

21.3.2 These represent interest-free deposits from customers against LPG equipment. The deposits are refundable on the return of equipments and are payable on demand.

21.3.3 These represent deposits from contractors against the cartage contracts for transportation of petroleum products. The deposits are refundable on cancellation of these contracts. Interest is payable on the deposits at saving bank account rate of National Bank of Pakistan after deducting 2% service charges, effective July 1, 2002.

21.3.4 These represent non-interest bearing security deposits and are repayable on termination of contract / performance of the services.

21.4 Includes amount due to various related parties on account of insurance premium, late payment, pipeline and other charges aggregated to Rs. 34,908,649 (2013: Rs. 31,483,881).

21.5 This includes favourable exchange difference of Rs. 2,880,758 (2013: Rs. Nil) arising on foreign currency borrowings (FE-25). This will be netted off against unfavourable exchange differences and differential, if any, will be claimed from the GoP upon settlement of these borrowings as stated in note 23.2.

21.6 Workers' Profits Participation Fund	**Note**	**2014**	2013
Balance at beginning of the year		1,000,396	710,508
Add: Allocation for the year	29	1,748,278	1,000,396
		2,748,674	1,710,904
Less: Payments during the year		(1,000,396)	(710,508)
Balance at end of the year		1,748,278	1,000,396

22. PROVISIONS

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

23. SHORT-TERM BORROWINGS - secured	**Note**	**2014**	2013
Short-term finances			
- Local currency	23.1, 23.3 & 23.4	64,816,460	15,565,586
- Foreign currency	23.2 & 23.3	16,017,193	-
		80,833,653	15,565,586
Finances under mark-up arrangements	23.1 & 23.5	11,487,421	1,704,095
		92,321,074	17,269,681

(Amounts in Rs.'000)

23.1 The total outstanding balance is against the facilities aggregating Rs. 41,107,267 (2013: Rs. 43,485,000) available from various banks. These facilities are valid upto various dates by February 15, 2016 and are secured by way of floating / pari passu charge on Company's stocks, receivables, collateralized PIBs and Trust receipts.

23.2 These represent foreign currency (FE-25) borrowings of US$ 162,199 thousand equivalent to Rs. 16,017,193 (2013: Nil) payable to various banks by the Company. The Company has obtained FE-25 facilities aggregating US$ 682,041 thousand equivalent to Rs. 66,162,386 during the year on directives and assurance of the GoP communicated vide letter dated November 27, 2013 that it will bear additional cost and foreign exchange losses suffered by the Company on these borrowings. These borrowings are secured against the Trust Receipts.

23.3 As at June 30, 2014 accrued mark-up on short-term local and foreign currency borrowings amounted to Rs. 1,015,060 and Rs.313,137 (2013: Rs. 432,270 and Rs. Nil) respectively.

23.4 The rate of mark up for these facilities ranges from Re. 0.03 to Re. 0.30 (2013: Re. 0.03 to Re. 0.27) per Rs. 1,000 per day.

23.5 The rate of mark up for these facilities ranges from Re. 0.29 to Re. 0.34 (2013: Re. 0.28 to Re. 0.33) per Rs.1,000 per day, net of prompt payment rebates. These facilities are renewable subject to payment of repurchase price on specified dates.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

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

24.1.1 Claims against the Company not acknowledged as debts amounts to Rs. 12,437,531 (2013: Rs. 15,280,622) other than as mentioned in note 24.1.19. This includes claim amounting to Rs. 10,252,306 (2013: Rs. 13,684,734) for delayed payment charges on the understanding that this amount will be payable only when the Company will fully realize interest due from all other entities under the circular debt chain (which is more than the above amount). Charges claimed by the Company for delayed payment by customers due to circular debt are recognized on receipt basis as the ultimate outcome of the matter and amount of settlement between the stakeholders cannot be presently determined.

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

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

(Amounts in Rs.'000)

24.1.3 The Company received demands for tax years 2004 to 2008, from the taxation authorities aggregating to Rs. 823,227 in respect of tax less withheld on incentives paid to dealers operating retail outlets. As per the taxation authorities, such payments were in the nature of prizes on sales promotion to dealers and hence subject to withholding of tax @ 20% under section 156 of the Income Tax Ordinance (ITO), 2001. The Company maintains that such incentives to dealers attract tax @ 10% under section 156A of the ITO, 2001. The Company is currently contesting the case at Appellate Tribunal Inland Revenue (ATIR) level. Though the Company has the right to recover the demands from dealers, however the Company has, as a matter of prudence, created a provision of Rs. 501,234 against the aforesaid demands raised by the Income Tax Authority. In respect of balance remaining of tax demand over provision i.e. Rs. 321,993 the Company has already recovered from the dealers Rs. 208,942 (as at June 30, 2013: Rs. 184,844) and is in the process of recovering the balance amount of Rs.113,051 (June 30, 2013: Rs. 137,149).

24.1.4 The Deputy Commissioner Inland Revenue (DCIR), Federal Board of Revenue (FBR) through his orders passed under the ITO, 2001 classified the payments in respect of trade discounts and advertisement expenses incurred during tax years 2009 and 2010 as prizes are subject to withholding tax @ 20% under section 156 of the ITO, 2001. Consequently, total tax demands of Rs. 339,312 were created in the abovementioned orders which were subsequently rectified and amended to Rs. 318,837. The said rectification orders for the tax years 2009 and 2010 were further revised on October 11, 2011 and November 29, 2011 respectively and the said demands were reduced to Rs. 165,856. The Company has the contention that trade discounts attract tax @ 10% under section 156A of the ITO, 2001 and advertisement expenses attract taxes @ 6% under section 153 of the ITO, 2001 which have been duly paid by the Company. The Company is currently contesting the case before ATIR which is pending for hearing. Based on the views of tax advisors of the Company, the management believes that these matters will ultimately be decided in Company's favour. Accordingly, no provision has been made for these tax demands in these financial statements.

24.1.5 The Assistant Commissioner Inland Revenue (ACIR), FBR through his orders classified the payments in respect of trade discounts during tax years 2011 and 2012 as prizes subject to withholding tax @ 20% under section 156 of the ITO, 2001. Consequently, tax demands aggregating to Rs. 262,030 were created through the abovementioned orders against which the Company has filed rectification applications which are pending. The Company has the contention that trade discounts attract tax @ 10% under section 156A of the ITO, 2001 which have been duly paid by the Company. The Company is currently contesting the case before ATIR though certain matters have been remanded back to assessing officer by CIR (appeals). Based on the views of tax advisors of the Company, the management believes that these matters will ultimately be decided in Company's favour. Accordingly, no provision has been made for these tax demands in these financial statements.

24.1.6 The taxation officer passed assessment orders in respect of tax years 2004 to 2008 and made certain disallowances and additions resulting in an additional tax demand of Rs. 1,733,038. These orders were later rectified and amended to Rs. 1,389,050. The Company filed appeals against these orders before CIR (Appeals) which were decided in favour of the Company on several points. During the current year, the Company received revised orders in which effects of matters decided in favour of the Company by CIR (Appeals) were incorporated resulting in tax refunds of Rs. 420,385. The Company has adjusted these tax refunds against future tax payments for the tax year 2014. The Company has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against disallowances/add backs which were upheld in order of CIR (Appeals) for these years. The appeals with ATIR are pending for hearing. Based on views of the tax advisors, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made for the said matters in these financial statements.

24.1.7 The taxation officer passed assessment orders in respect of tax years 2009 to 2011 and made certain disallowances and additions resulting in an additional tax demand of Rs. 4,598,246. The Company filed appeals against these orders before CIR (Appeals) who decided certain matters in favour of the Company. During the year ended June 30, 2013, the Company received revised orders showing a demand of Rs. 740,871 after taking into effect for matters decided in favour of the Company by CIR (Appeals).The Company has filed appeals before ATIR for remaining points adjudicated against the Company by CIR (Appeals) which are pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made for the said matters in these financial statements.

24.1.8 ACIR through his order dated June 29, 2013 made certain additions and disallowances in respect of tax year 2012 and raised tax demand of Rs. 2,293,495. The Company has filed an appeal against that order before the CIR (Appeals) which is pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

24.1.9 ACIR through his order dated January 28, 2014 made certain additions and disallowances in respect of tax year 2013 and raised tax demand of Rs. 802,678. The Company has filed an appeal against that order before the CIR (Appeals) which is pending for hearing. Based on the views of tax advisors of the Company, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

24.1.10 A sales tax order-in-original No. 01/2010 dated March 30, 2010 was issued by DCIR, FBR in respect of sales tax audit of the Company for the tax years 2004-2007. Under the said order, a demand of Rs. 883,864 was raised on account of certain transactions and default surcharge of Rs. 512,172 was imposed. The ATIR decided the case in favour of the Company. However, the tax department has filed an appeal against the aforesaid decision of ATIR in the High Court of Sindh which is pending for hearing. Based on the views of tax and legal advisors of the Company, the management believes that the matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made for the said matters in these financial statements.

24.1.11 A sales tax order-in-original No. 01/2011 dated June 30, 2011 was issued by the DCIR, FBR in respect of sales tax audit of the Company for tax year 2008. Under the said order, a demand of Rs. 643,759 was raised on account of certain matters and penalty of Rs. 32,188 was imposed. The Company filed an appeal against the said order before the CIR (Appeals) which was decided in favour of the Company through order No.11 of 2012 dated September 27, 2012. The department has filed an appeal against the said order before the ATIR which is pending for adjudication. Based on the view of tax advisors of the Company, the management believes that the matter will ultimatlely be decided in the Company's favour. Accordingly, no provision has been made for the said amount in these financial statements.

24.1.12 A sales tax show cause notice dated April 11, 2014 was issued by the ACIR, FBR in respect of sales tax audit of the Company for tax year 2010. Under the said show cause notice, the ACIR has shown his intention to impose a demand of Rs. 5,426,874 on account of certain matters. Further the show cause notice also includes default surcharge and penalty which will be imposed at the time of payment. The Company filed a suit against the said show cause notice before the Honourable High Court of Sindh. The High Court of Sindh vide an order suit No.753/2014 dated May 8, 2014 has restrained the tax authorities from issuing any final order and taking any adverse action against the Company and has further instructed the Company to cooperate with the tax authorities in respect of proceedings relating to show cause notice. Based on the views of tax advisors of the Company, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made for the said amount in these financial statements.

(Amounts in Rs.'000)

24.1.13 A sales tax order in original No. 01/2011 dated January 22, 2011 was issued by Assistant Commissioner (IR) - Enforcement and Collection Division against the Company in which a demand was raised in respect of input sales tax claimed amounting to Rs. 650,446. The demand also included default surcharge (to be calculated at the time of final payment) and penalty of Rs. 32,522 at the rate of 5% of sales tax. The demand was created on the grounds that the Company failed to make payments to the supplier in respect of these purchases through banking channels within 180 days of the issuance of sales tax invoice as required under section 73(2) of the Sales Act, 1990. The Company is now contesting the case at ATIR which is pending for adjudication. Further, the Company has obtained stay from High Court of Sindh against the said demand. Based on the views of tax and legal advisors of the Company, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made for the aformentioned demand in these financial statements.

24.1.14 A sales tax order-in-original No. 01/2012 dated January 16, 2013 was issued by DCIR, FBR in respect of delayed payment of sales tax due in sales tax return for March 2011. Under the said order, a demand of Rs. 437,305 has been raised which comprised default surcharge of Rs. 82,265 and penalty of Rs. 355,040 on late payment. The Company then filed an appeal against the said order before CIR (Appeals) which was decided against the Company. The Company filed an appeal against the aforesaid order of CIR (Appeals) before ATIR vide order dated September 13, 2013 which upheld the imposition of default surcharge however vacated penalty imposed for de novo consideration before adjudication authority. The Company has filed an appeal before the High Court of Sindh against imposition of default surcharge which is pending for hearing. Based on the views of tax and legal advisors of the Company, the management believes that the matter will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

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

The Company had been contesting the matter before honorable ATIR who has remanded the case back to adjudication officer vide its order dated February 06, 2012. The Company is confident that the ultimate outcome of the matter would be in its favour and therefore no provision has been made in this respect in these financial statements.

24.1.16 The Government of Sindh through Sindh Finance Act, 1994 imposed infrastructure fee for development and maintenance of infrastructure on goods entering or leaving the Province through air or sea at prescribed rates. The Company is contesting the levy along with other companies in the High Court of Sindh. Through the interim order passed on May 31, 2011 the High Court has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. On the directive of the Directorate of Excise and Taxation (Taxes-III), up to June 30, 2014, the management has deposited Rs. 61,941 in cash and provided bank guarantee amounting to Rs. 61,941 with the Excise and Taxation Department. Based on the views of its legal advisors, the management believes that the matter will ultimately be decided in the Company's favour. Total amount of possible obligation, if any, cannot be determined with sufficient reliability. Accordingly, no provision has been made against infrastructure fee in these financial statements.

(Amounts in Rs.'000)

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

24.1.18 During the year ended June 30, 2002, Schedule I to Stamp Duty Act, 1899 was substituted with a revised Schedule vide Stamp (Sindh Amendment) Ordinance, 2002 and stamp duty was levied at the rate of 0.2% of amount of contracts including purchase orders for supply or to undertake cartage of stores and materials. MoP & NR has also approached Chief Minister Sindh vide its letter reference D.O.No.PL-3(413)/2009 dated April 04, 2009 on behalf of the oil marketing companies and refineries and has requested Chief Minister Sindh to direct Board of Revenue, Sindh to withdraw the levy of Stamp Duty on purchases of petroleum products as the pricing of petroleum products is a Federal subject.

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

The management of the Company is confident that the merits of the case are in favor of the Company and based on the views of its legal advisors, there will be no financial implication on the Company. Accordingly, no provision has been made in these financial statements in this regard.

24.1.19 As at June 30, 2014 certain legal cases amounting to Rs. 3,040,355 (2013: Rs. 3,060,578) had been filed against the Company. However, based on the advice of its legal advisors, the management believes that the outcome of these cases would be decided in Company' s favour.

24.2 Commitments

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

	2014	2013
Property, plant and equipment	1,083,771	971,329
Intangibles	43,599	14,486
	1,127,370	985,815

24.2.2 Letters of credit for oil imports etc. and bank guarantees outstanding as at June 30, 2014 amount to Rs. 19,630,469 (2013: Rs. 10,046,727).

(Amounts in Rs.'000)

25. COST OF PRODUCTS SOLD

	Note	2014	2013
Opening stock		106,089,048	88,523,794
Add: Purchases during the year		1,131,023,398	1,083,526,634
		1,237,112,446	1,172,050,428
Less: Closing stock	11	(86,297,218)	(106,089,048)
		1,150,815,228	1,065,961,380

26. OTHER INCOME

	Note	2014	2013
Income from financial assets			
Mark-up on delayed payments		12,379,802	3,201,591
Mark-up / interest on available-for-sale PIBs - net of amortization		4,522,727	38,582
Mark-up on profit and loss accounts and bank deposits		65,459	25,412
Dividend income on available-for-sale investments	26.1	236,656	221,750
Penalties and other recoveries		146,241	111,361
		17,350,885	3,598,696
Income from non-financial assets			
Handling, storage and other recoveries		869,668	857,110
Commission, handling and other services		824,307	835,509
Commission income from CNG operators		291,777	404,452
Income from non fuel retail business		83,432	91,100
Income from retail outlets - net		59,651	58,685
Scrap sales		4,308	12,760
Gain on disposal of operating assets		6,763	9,051
Others		26,883	71,751
		2,166,789	2,340,418
		19,517,674	5,939,114

26.1 Represent dividends received from Pak-Arab Pipeline Company Limited and Pakistan Refinery Limited which are related parties.

27. DISTRIBUTION AND MARKETING EXPENSES

	Note	2014	2013 (Restated)
Salaries, wages and benefits	20.2.3 & 28.1	4,047,645	3,749,785
Transportation costs	27.1	904,400	931,605
Depreciation	4.1.1	973,702	1,082,712
Security and other services		127,004	107,582
Rent, rates and taxes		293,123	489,250
Repairs and maintenance		748,647	690,142
Insurance		251,774	207,602
Travelling and office transport		245,580	218,973
Printing and stationery		16,468	13,283
Communication		31,032	26,765
Utilities		261,361	224,249
Storage and technical services		129,515	120,804
Sales promotion and advertisement		269,393	437,925
Cards related costs		88,750	93,183
Others		7,375	5,981
		8,395,769	8,399,841

(Amounts in Rs.'000)

27.1 Transportation costs	Note	2014	2013 (Restated)
Cost incurred during the year		19,236,317	17,346,847
Realized against inland freight equalization margin		(17,574,914)	(15,876,030)
Less: Refinery share		1,610,556	1,302,793
		(15,964,358)	(14,573,237)
Receivables / adjustments from other oil marketing companies		(2,367,559)	(1,842,005)
		(18,331,917)	(16,415,242)
		904,400	931,605

28. ADMINISTRATIVE EXPENSES

	Note	2014	2013
Salaries, wages and benefits	20.2.3 & 28.1	1,494,226	1,332,051
Depreciation	4.1.1	63,667	62,249
Amortization	5	17,066	14,868
Security and other services		13,470	8,277
Rent, rates and taxes		7,191	6,411
Repairs and maintenance		65,066	74,499
Insurance		65,919	77,699
Travelling and office transport		43,351	35,092
Printing and stationery		6,852	7,371
Communication		21,750	23,059
Utilities		78,855	46,784
Storage and technical services		39,256	22,962
Legal and professional		38,792	44,523
Auditors' remuneration	28.3	9,504	9,223
Contribution towards expenses of Board of Management - Oil (a related party)		11,430	8,550
Donations	28.4	99,991	19,686
Fee and subscription		7,779	13,385
		2,084,165	1,806,689

28.1 Salaries, wages and benefits also include Rs. 105,688 (2013: Rs. 97,973) and Rs. 128,718 (2013: Rs. 75,200) in respect of Company's contribution towards provident funds and staff compensated absences, respectively.

(Amounts in Rs.'000)

28.2 Remuneration of Managing Director and Executives

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

	2014		2013	
	Managing Director	**Executives**	Managing Director	Executives
Managerial remuneration	8,104	832,266	12,308	678,084
Housing and utilities	4,457	472,857	6,769	378,242
Performance bonus	2,984	250,446	2,858	212,390
Other allowances and benefits	5,109	442,534	9,113	395,829
Retirement benefits - 2013 restated	3,593	355,332	1,861	290,956
Leave encashment	-	7,285	-	13,634
	24,247	2,360,720	32,909	1,969,135
Number, including those who worked part of the year	2	727	1	678

28.2.2 The amount charged in respect of fee to seven non-executive directors (2013: nine) aggregated to Rs. 7,450 (2013: Rs. 2,225).

28.2.3 In addition, the Managing Director and certain Executives are provided with free use of Company maintained cars. Further, the Managing Director and Executives are also entitled to avail medical facilities and other benefits as per the Company's policy. The Company, based on actuarial valuations, has charged amounts in respect of retirement benefits for above mentioned employees which are included in note 20.2.3.

28.3 Auditors' remuneration

	2014			2013		
	KPMG Taseer Hadi & Co.	**M. Yousuf Adil Saleem & Co.**	**Total**	KPMG Taseer Hadi & Co.	M. Yousuf Adil Saleem & Co.	Total
Fee for the:						
- audit of annual financial statements	2,650	2,650	5,300	2,650	2,650	5,300
- review of half yearly financial information	1,060	1,060	2,120	1,060	1,060	2,120
Certification of claims, audit of retirement funds and other advisory services	266	200	466	454	200	654
Out of pocket expenses	799	819	1,618	582	567	1,149
	4,775	4,729	9,504	4,746	4,477	9,223

(Amounts in Rs.'000)

28.4 The Directors and their spouse do not have any interest in any donees to which donations were made except donations made to Make a Wish Foundation Pakistan amounting to Rs. 1,000 in which Mirza Ikhtiar Baig (Ex-Director) holds the office of Secretary General.

29. OTHER OPERATING EXPENSES

	Note	2014	2013 (Restated)
Workers' Profits Participation Fund	21.6	1,748,278	1,000,396
Workers' Welfare Fund		789,638	489,952
Exchange loss - net		1,041,575	930,495
Provision against doubtful trade debts - net	12.4	94,092	351,489
Provision against doubtful other receivables	15.5	216,478	891,503
		3,890,061	3,663,835

30. FINANCE COSTS

	2014	2013
Mark-up on short-term borrowings		
- Local currency	5,010,538	4,835,776
- Foreign currency	986,803	-
	5,997,341	4,835,776
Late payment and bank charges	3,546,768	2,755,380
	9,544,109	7,591,156

31. TAXATION

	2014	2013 (Restated)
Current		
- for the year	13,941,001	8,023,852
- for prior years	(28,295)	(54,420)
Deferred - for the year	(2,761,654)	(1,397,578)
	11,151,052	6,571,854

31.1 Relationship between accounting profit and tax expense

	2014	(Restated)
Accounting profit before taxation	32,969,187	19,209,633
Tax at the applicable tax rate of 34% (2013: 35%)	11,209,524	6,723,372
Tax effect of:		
- Lower rate applicable to certain income including share of associates	(189,747)	(188,044)
- Permanent differences	33,997	6,890
- Adjustments relating to prior years	(28,295)	(54,420)
- Others	125,573	84,056
	11,151,052	6,571,854

(Amounts in Rs.'000)

32. EARNINGS PER SHARE

	2014	2013 (Restated)
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit for the year	21,818,135	12,637,779
	(Number of shares)	(Restated)
Weighted average number of ordinary shares in issue during the year	271,685,939	271,685,939
	--------------(Rupees)-------------	(Restated)
Earnings per share - basic and diluted	80.31	46.52

Comparative figure of earnings per share has been restated due to issuance of 24,698,722 bonus shares during the year.

33. CASH (USED IN) / GENERATED FROM OPERATIONS

	Note	2014	2013 (Restated)
Profit before taxation		32,969,187	19,209,633
Adjustments for:			
Depreciation		1,037,369	1,144,961
Amortization of intangibles		17,066	14,868
Amortization of premium on purchase of PIBs		518,510	2,853
Provision against doubtful trade debts and other receivables		310,570	1,242,992
Retirement and other services benefits accrued		965,165	1,090,300
Gain on disposal of operating assets		(6,763)	(9,051)
Share of profit from associates accounted for under equity method		(541,529)	(571,102)
Dividend income on investment		(236,656)	(221,750)
Finance costs		9,544,109	7,591,156
		11,607,841	10,285,227
Working capital changes	33.1	(81,880,474)	64,070,563
		(37,303,446)	93,565,423

(Amounts in Rs.'000)

33.1 Working capital changes	2014	2013
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	(50,560)	(4,344)
- Stock-in-trade	19,791,830	(17,565,254)
- Trade debts	(98,884,066)	141,074,609
- Loans and advances	(53,211)	35,512
- Deposits and short term prepayments	(52,705)	122,788
- Mark-up / interest receivable	-	(2,251,290)
- Other receivables	5,246,475	(6,179,080)
Decrease in current liabilities:		
- Trade and other payables	(7,878,237)	(51,162,378)
	(81,880,474)	64,070,563

34. CASH AND CASH EQUIVALENTS

	Note	2014	2013 (Restated)
Cash and cash equivalents comprise of the following items included in the balance sheet:			
- Cash and bank balances	16	20,606,509	5,227,328
- Finances under mark-up arrangements	23	(11,487,421)	(1,704,095)
		9,119,088	3,523,233

35. OPERATING SEGMENTS

- These financial statements have been prepared on the basis of a single reportable segment.
- Sales from petroleum products represent 98.84% (2013: 98.94%) of total revenue of the Company.
- Out of total sales of the Company, 99.97% (2013: 99.99%) relates to customers in Pakistan.
- All non-current assets of the Company as at June 30, 2014 are located in Pakistan.
- The Company sells its products to dealers, government agencies and autonomous bodies, independent power projects and other corporate customers. Sales to three major customers of the Company is approximately Rs. 426,640,038 during the year ended June 30, 2014 (2013: Rs. 369,150,996).

(Amounts in Rs.'000)

36. FINANCIAL INSTRUMENTS BY CATEGORY

	2014	2013
Financial assets as per balance sheet		
Available for sale		
- Long-term investments	43,871,145	47,516,083
Loans and receivables at amortized cost		
- Loans, advances and receivables	371,990	352,890
- Deposits	61,442	59,956
- Trade debts	175,386,168	76,596,194
- Mark-up / interest receivable	2,251,290	2,251,290
- Other receivables	16,091,800	15,489,348
- Cash and bank balances	20,606,509	5,227,328
	214,769,199	99,977,006
	258,640,344	147,493,089
Financial liabilities as per balance sheet		
Financial liabilities measured at amortized cost		
- Trade and other payables	181,494,588	182,889,869
- Accrued interest / mark-up	1,328,197	432,270
- Short term borrowings	92,321,074	17,269,681
	275,143,859	200,591,820

36.1 Fair values of financial assets and liabilities

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investment in Pak-Arab Pipeline Company Limited held at cost as its fair value cannot be reasonably determined. However, the management believes that its fair value is more than its carrying value.

(b) Fair Value Estimation

The Company discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Amounts in Rs.'000)

	Level 1	Level 2	Level 3	Total
		2014		
Financial assets				
Debt securities - PIBs	-	43,007,145	-	43,007,145
	-	43,007,145	-	43,007,145

	Level 1	Level 2	Level 3	Total
Financial assets		2013		
Listed securities - equity shares	512,898	-	-	512,898
Debt securities - PIBs	-	46,139,185	-	46,139,185
	512,898	46,139,185	-	46,652,083

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1 Financial risk factors

Introduction and overview

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

- market risk
- credit risk
- liquidity risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, Company's objectives, policies and processes for measuring and managing risk, fair value of financial instruments and the Company's management of capital.

Financial risk factors and risk management framework

The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on limits established by the internal controls set on different activities of the Company by the Board of Management - Oil through specific directives. These controls and limits reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Company's finance and treasury department oversee the management of the financial risk reflecting changes in the market conditions and also the Company's risk taking activities providing assurance that these activities are governed by appropriate policies and procedures and that the financial risk are identified, measured and managed in accordance with the Company policies and risk appetite.

(Amounts in Rs.'000)

(a) **Market risk**

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

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

(i) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company imports petroleum products (including chemicals) and is exposed to currency risk, primarily with respect to foreign creditors for purchase of oil denominated in US Dollars at the year end amounting to US$ 1,147,853 thousand (2013: US$ 1,237,990 thousand) equivalent to Rs. 113,350,515 (2013: Rs. 122,499,140) and advances from foreign customers amounting to US$ 25,881 thousand (2013: US$ 47,733 thousand) equivalent to Rs. 2,555,711 (2013: Rs. 4,723,147). The average rates applied during the year is Rs. 102.88 / US$ (2013: Rs. 96.85 / US$) and the spot rate as at June 30, 2014 was Rs. 98.75 / US$ (2013: Rs. 98.95 / US$).

The Company manages its currency risk by close monitoring of currency markets. As per central bank regulations, the Company cannot hedge its currency risk exposure. The Company has incurred exchange loss of Rs. 1,041,575 (2013: Rs. 930,495).

At June 30, 2014, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, profit for the year would have been lower/higher by Rs. 3,824,905 (2013: Rs. 4,134,724), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade payables and advances.

However, there is no foreign currency risk involved on the outstanding foriegn currency borrowings as of June 30, 2014 as fully explained in note 23.2.

(ii) **Interest rate risk**

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

The Company's interest rate risk arises from bank deposit accounts, local creditors, security deposits, short-term loans and running finance facilities amounting to Rs. 91,952,049 (financial liabilities on a net basis) (2013: Rs. 33,529,617). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

(Amounts in Rs.'000)

	Carrying amount	
	2014	2013
Variable rate instruments		
Financial assets		
- Profit and loss sharing accounts	16,373,931	41,453
Financial liabilities		
- Short term borrowings	92,321,074	17,269,681
- Security deposits	586,964	606,204
- Local creditors	15,417,942	15,695,185
	108,325,980	33,571,070
Net financial liabilities at variable interest rates	(91,952,049)	(33,529,617)

Cash flow sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit / loss for the year and shareholder's equity by Rs. 919,520 (2013: Rs. 335,296). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2013.

	2014	2013
Fixed rate instruments		
Investment in Pakistan Investment Bonds	43,007,145	46,139,185

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rates at the reporting date would not affect profit and loss account of the Company.

(iii) Equity price risk

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

As at June 30, 2014, there are no equity investments of the Company measured at fair value, hence no equity price risk exists.

(Amounts in Rs.'000)

(b) Credit risk

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

Credit risk arises from balances with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit rating. The maximum exposure to credit risk before any credit enhancement is given below:

	2014		2013	
	Balance Sheet	**Maximum exposure**	Balance Sheet	Maximum exposure
Available for sale				
- Pakistan Investment Bonds including accrued mark-up	45,258,435	-	48,390,475	-
Loans and receivables				
- Loans, advances and receivables	717,206	717,206	709,716	709,716
- Deposits	61,442	61,442	59,956	59,956
- Trade debts	175,386,168	175,386,168	76,596,194	76,596,194
- Other receivables	16,091,800	6,877,493	15,572,460	6,087,887
- Cash and bank balances	20,597,174	20,597,174	5,218,262	5,218,262
	258,112,225	203,639,483	146,547,063	88,672,015

Significant concentration of credit risks is on amounts due from Government agencies and autonomous bodies amounting to Rs. 108,393,477 (2013: Rs. 39,576,817). Credit risk on private sector other than retail sales is covered to the maximum possible extent through legally binding contracts. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers. Sales to dealers are settled in cash or using short term financial instruments. However, some of the Company's trade debts are secured by way of bank guarantees.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings.

(Amounts in Rs.'000)

Ageing of the trade debts (net of provision) which includes past due balances are as follows:

	Less than three months	Three to six months	Six months to one year	One year to 2 years	More than 2 years	Total
			2014			
Trade debts - gross	114,044,097	55,097,913	5,023,037	306,507	3,788,639	178,260,193
Provision	-	(11,975)	(42,185)	(190,560)	(2,629,305)	(2,874,025)
Trade debts - net	114,044,097	55,085,938	4,980,852	115,947	1,159,334	175,386,168
			2013			
Trade debts - gross	66,984,224	2,608,551	2,603,317	3,971,524	3,208,512	79,376,128
Provision	-	(23,411)	(457,975)	(254,219)	(2,044,329)	(2,779,934)
Trade debts - net	66,984,224	2,585,140	2,145,342	3,717,305	1,164,183	76,596,194

Based on the past experience, past track records and recoveries, the Company believes that the past due amount included in above trade debts (net of provision) do not require any impairment.

None of the Company's financial assets are secured except as disclosed in note 12.1.

Bank	Date of Rating	Rating agency	Rating	
			Short term	Long term
Allied Bank Limited	June, 2014	PACRA	A1+	AA+
Askari Bank Limited	July, 2014	PACRA	A1+	AA
Bank Al Habib Limited	June, 2014	PACRA	A1+	AA+
Bank Alfalah Limited	June, 2014	PACRA	A1+	AA
Bank Islami Pakistan Limited	July, 2014	PACRA	A1	A
Citibank N.A.	March, 2014	Moody's	P-1	A2
Deutsche Bank AG	May, 2014	Moody's	P-1	A2
Faysal Bank Limited	June, 2014	PACRA	A1+	AA
Habib Bank Limited	June, 2014	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	June, 2014	PACRA	A1+	AA+
JS Bank Limited	June, 2014	PACRA	A1	A+
MCB Bank Limited	June, 2014	PACRA	A1+	AAA
Meezan Bank Limited	June, 2014	JCR-VIS	A-1+	AA
National Bank of Pakistan	June, 2014	JCR-VIS	A-1+	AAA
NIB Bank Limited	June, 2014	PACRA	A1+	AA-
Samba Bank Limited	June, 2014	JCR-VIS	A-1	AA-
Standard Chartered Bank (Pakistan) Limited	June, 2014	PACRA	A1+	AAA
The HSBC Bank Middle East Limited	June, 2014	Moody's	P-1	A2
United Bank Limited	June, 2014	JCR-VIS	A-1+	AA+

(Amounts in Rs.'000)

Settlement risk

Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash or other assets as contractually agreed on sale.

The risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

(c) Liquidity risk

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

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

Maturity analysis of financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period on the balance sheet date to the contractual maturity date and represents the undiscounted cash flows.

	2014			
	Carrying amount / contractual cash flow	**Contractual Maturity**		
		Up to three months	**three to six months**	**six to twelve months**
Financial liabilities				
Trade and other payables	181,494,588	181,494,588	-	-
Accrued interest / mark-up	1,328,197	1,328,197	-	-
Short term borrowings	80,833,653	34,600,773	13,454,397	32,778,483
Finances under mark-up arrangements	11,487,421	3,313,972	3,924,221	4,249,228
	275,143,859	220,737,530	17,378,618	37,027,711

	2013			
	Carrying amount / contractual cash flow	Contractual Maturity		
		Up to three months	three to six months	six to twelve months
Financial liabilities				
Trade and other payables	182,889,869	182,889,869	-	-
Accrued interest / mark-up	432,270	432,270	-	-
Short term borrowings	15,565,586	1,800,000	2,800,000	10,965,586
Finances under mark-up arrangements	1,704,095	647,919	74,114	982,062
	200,591,820	185,770,058	2,874,114	11,947,648

(Amounts in Rs.'000)

(d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

37.2 Capital risk management

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

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

(Amounts in Rs.'000)

	Note	2014	2013 (Restated)
The gearing ratios as at June 30, 2014 and 2013 were as follows:			
Total borrowings	23	92,321,074	17,269,681
Less: Cash and bank balances	16	(20,606,509)	(5,227,328)
Net debt		71,714,565	12,042,353
Total equity		78,621,157	60,642,789
Total capital		150,335,722	72,685,142
Gearing ratio		47.70%	16.57%

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

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

38. TRANSACTIONS WITH RELATED PARTIES

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

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

Name of related party and relationship with the Company	Nature of transactions	Note	2014	2013
Associates				
- Pakistan Refinery Limited	Purchases	6.2	21,757,428	25,037,676
(associated in the current year)	Dividend received		17,955	-
	Other expense		20,809	181,630
- Pak Grease Manufacturing Company	Purchases		74,098	68,182
(Private) Limited	Dividend received		7,548	6,862
- Asia Petroleum Limited	Income (facility charges)		196,698	203,939
	Rental income		-	4,188
	Dividend received		391,497	414,527
	Pipeline charges		2,064,169	2,060,632
Retirement benefit funds				
- Pension Funds	Charge for the year		366,433	541,348
	Contributions		933,697	526,660
- Gratuity Fund	Charge for the year		277,912	391,329
	Contributions		548,085	678,828
- Provident Funds	Contributions		105,688	97,973

(Amounts in Rs.'000)

Name of related party and relationship with the Company	Nature of transactions	2014	2013
Other related parties			
- Pak Arab Pipeline Company Limited	Pipeline charges	3,619,193	3,867,382
(Government related entity)	Dividend received	218,701	221,750
- Government of Pakistan	Dividend paid	173,711	-
	Dividend adjusted against price differential claim	187,154	211,930
	Income from PIBs	5,041,232	41,435
- Board of management - Oil	Contribution towards expenses of BOM	11,430	8,550
- Benazir Employees' Stock Option Scheme	Dividend paid to the trust	43,898	28,730
Government related entities - various	Purchases	166,239,941	134,043,363
	Freight charges	5,726,527	2,564,800
	Sales	365,621,711	293,297,522
	Transportation charges	28,837	17,517
	Utility charges	173,391	244,860
	Rental charges	17,585	62,563
	Insurance premium paid	1,230,599	1,426,999
	Dividend paid	215,230	141,595
	Finance cost	3,091,687	409,072
	Mark-up on delayed payments	2,799,733	1,832,727
	Pipeline charges	446,272	494,521
	Pipeline income	127,909	115,185
Key management personnel	Managerial remuneration	98,694	90,981
	Housing and utilities	54,282	50,039
	Performance bonus	29,071	29,577
	Other allowances and benefits	58,714	73,554
	Retirement benefits	38,174	39,844
	Leave encashment	2,975	6,228
	Vehicles having book value of Rs. 2,811 transferred under employee car scheme (sale proceeds)	2,811	7,475

38.1 The related party status of outstanding receivables and payables as at June 30, 2014 are included in respective notes to the financial statements.

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

38.3 Dividend income is recorded on the basis of dividend / rates declared by the related party. Dividend paid is recorded on the basis of rates declared by the Company.

(Amounts in Rs.'000)

39. PROVIDENT FUND RELATED DISCLOSURE

The Company operates approved funded contributory provident funds for both its management and non-management employees. Details of net assets and investments of these funds are as follows:

	2014	2013
Size of the fund - Net assets	3,516,878	3,009,030
Cost of the investment made	3,326,178	2,494,261
Percentage of the investment made (based on fair value)	96%	94%
Fair value of the investment made	3,386,333	2,824,636

The break up of fair value of the investment is:

	2014		2013	
	Amount	**%**	Amount	%
Share in the listed companies	71,865	2%	50,526	2%
Bank balances	767,240	23%	105,149	4%
Government securities	1,947,827	58%	2,172,484	77%
Debt securities	111,041	3%	142,043	5%
Mutual fund	488,360	14%	354,434	13%
	3,386,333		2,824,636	

The management, based on the un-audited financial statements of the funds, is of the view that the investments out of provident funds have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the Rules formulated for this purpose.

40. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and to reflect the substance of the transactions. No significant rearrangements or reclassifications were made in these financial statements except the following:

Description	**Reclassified**		
	From	**To**	**2013**
Exchange losses	Other operating expenses	Cost of products sold	2,348,000
Security deposits	Long-term deposits	Trade and other payables	1,342,463

(Amounts in Rs.'000)

41. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Management in its meeting held on September 03, 2014 proposed a final cash dividend of Rs. 4 (2013: Rs. 2.5) per share for the year ended June 30, 2014, amounting to Rs. 1,086,744 (2013: Rs. 617,468) for approval of the members at the Annual General Meeting to be held on October 14, 2014. These financial statements do not reflect these appropriations and the proposed dividend payable.

42. NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30, 2014 were 2,002 (2013: 2,080) and number of employees as at June 30, 2014 were 1,968 (2013: 2,035).

43. GENERAL

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

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 03, 2014 by the Board of Management - Oil of the Company.

Amjad Parvez Janjua
Managing Director & CEO

Mujahid Eshai
Chairman-BoM

ATTENDANCE AT BOARD OF MANAGEMENT MEETINGS

For the year ended June 30, 2014

Names of Members	Total No. of Board meetings *	Number of Meetings attended
MR. KHAWAJA MUJAHID ESHAI	4	2
MR. MUHAMMAD NAEEM MALIK	9	9
MR. MUHAMMAD AZAM	9	9
MR. AMJAD PARVEZ JANJUA	9	9
DR. MIRZA IKHTIAR BAIG	9	9
MR. AHSAN BASHIR	9	2
MR. WAZIR ALI KHOJA	9	9
MR. RAJA HAMEED AHMED SALEEM	9	9
MR. MALIK NASEEM HUSSAIN LAWBAR	9	8

*Number of meetings held during the period when the concerned BoM member was on the Board

Note: No BoM meeting was held outside Pakistan during the year.

ATTENDANCE AT BOARD OF MANAGEMENT MEETINGS

For the year ended June 30, 2014

Attendance at Board Audit Committee Meetings

Names of Members	Total No. of Board meetings *	Number of Meetings attended
MR. WAZIR ALI KHOJA	7	7
MR. MUHAMMAD AZAM	7	7
DR. MIRZA IKHTIAR BAIG	7	7
MR. MALIK NASEEM HUSSAIN LAWBAR	7	7
MR. RAJA HAMEED AHMED SALEEM	7	7

Attendance at Board Compliance Committee Meetings

Names of Members	Total No. of Board meetings *	Number of Meetings attended
MR. MALIK NASEEM HUSSAIN LAWBAR	2	2
MR. MUHAMMAD AZAM	2	2
DR. MIRZA IKHTIAR BAIG	2	2
MR. AHSAN BASHIR	2	1
MR. RAJA HAMEED AHMED SALEEM	2	2

*Number of meetings held during the period when the concerned BoM member was on the Board

ATTENDANCE AT BOARD OF MANAGEMENT MEETINGS

For the year ended June 30, 2014

Attendance at Board Human Resource & Remuneration Committee Meetings

Names of Members	Total No. of Board meetings *	Number of Meetings attended
DR. MIRZA IKHTIAR BAIG	5	5
MR. MUHAMMAD NAEEM MALIK	5	4
MR. MUHAMMAD AZAM	5	5
MR. AMJAD PARVEZ JANJUA	5	5
MR. AHSAN BASHIR	5	1
MR. MALIK NASEEM HUSSAIN LAWBAR	5	4
MR. WAZIR ALI KHOJA	5	4

Attendance at Board Finance & Risk Management Committee Meeting

Names of Members	Total No. of Board meetings *	Number of Meetings attended
DR. MIRZA IKHTIAR BAIG	2	2
MR. MUHAMMAD NAEEM MALIK	2	2
MR. MUHAMMAD AZAM	2	2
MR. AMJAD PARVEZ JANJUA	2	2
MR. AHSAN BASHIR	2	-
MR. MALIK NASEEM HUSSAIN LAWBAR	2	2

*Number of meetings held during the period when the concerned BoM member was on the Board

SHAREHOLDERS' CATEGORIES
as at June 30, 2014

	NO. OF SHAREHOLDERS	NO. OF SHARES	%
Associated Companies, Undertakings and related Parties			
Government of Pakistan	1	61,055,634	22.47
GOP's Indirect Holding:- PSOCL Employee Empowerment Trust	1	8,254,381	3.04
NIT ICP & Other			
National Investment Trust	1	136,425	0.05
NBP, Trustee Department	1	40,779,388	15.01
Investment Corporation of Pakistan	1	1,344,325	0.49
CEO, Directors and their Spouse and Minor Childern			
Amjad Parvez Janjua	1	1	0.00
Public Sector Companies & Corporations Banks, DFIs NBFIs, Insurance Companies, Modarbas, Mutual Funds and other Orgnizations	506	112,087,046	41.26
Individuals	13,985	39,667,008	14.60
Others	319	8,361,731	3.08
TOTAL	**14,816**	**271,685,939**	**100.00**

SHAREHOLDERS' CATEGORIES
as at June 30, 2014

	NO. OF SHAREHOLDERS	NO. OF SHARES	%
INDIVIDUALS	13,986	39,667,009	14.60
NIT & ICP	3	42,260,138	15.55
FINANCIAL INSTITUTION AND BANKS	40	14,740,300	5.43
INSURANCE COMPANIES	15	21,818,747	8.03
MODARABA COMPANIES & MUTUAL FUNDS	96	39,853,178	14.67
PUBLIC SECTOR COMPANIES	2	117,451	0.04
FEDERAL GOVERNMENT	2	69,310,015	25.51
SECURITIES & EXCHANGE COMMISSION & EOBI	2	13,174,649	4.85
FOREIGN INVESTORS	351	22,382,721	8.24
OTHERS	319	8,361,731	3.08
TOTALS	**14,816**	**271,685,939**	**100.00**

PATTERN OF SHAREHOLDINGS
as at June 30, 2014

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
4675	1	100	146244	0.0538
3320	101	500	910471	0.3351
1760	501	1000	1334352	0.4911
3333	1001	5000	7530893	2.7719
751	5001	10000	5400155	1.9876
290	10001	15000	3562005	1.3111
149	15001	20000	2592375	0.9542
105	20001	25000	2357547	0.8677
64	25001	30000	1770717	0.6518
59	30001	35000	1861854	0.6853
26	35001	40000	968570	0.3565
11	40001	45000	462260	0.1701
26	45001	50000	1241227	0.4569
25	50001	55000	1328332	0.4889
13	55001	60000	744401	0.2740
11	60001	65000	692161	0.2548
8	65001	70000	546816	0.2013
3	70001	75000	215205	0.0792
10	75001	0000	782102	0.2879
8	80001	85000	654681	0.2410
6	85001	90000	524020	0.1929
4	90001	95000	371451	0.1367
9	95001	100000	878808	0.3235
3	100001	105000	308919	0.1137
9	105001	110000	966491	0.3557
4	110001	115000	449677	0.1655
4	115001	120000	468698	0.1725
1	120001	125000	124539	0.0458
1	125001	130000	130000	0.0478
2	135001	140000	274642	0.1011
3	140001	145000	426404	0.1569
3	145001	150000	450000	0.1656
3	150001	155000	457934	0.1686

PATTERN OF SHAREHOLDINGS
as at June 30, 2014

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
3	155001	160000	476030	0.1752
3	160001	165000	483658	0.1780
5	165001	170000	839518	0.3090
1	170001	175000	175000	0.0644
2	175001	180000	353910	0.1303
2	180001	185000	367160	0.1351
4	195001	200000	795468	0.2928
1	200001	205000	201000	0.0740
1	205001	210000	208137	0.0766
2	210001	215000	425450	0.1566
3	220001	225000	672447	0.2475
4	225001	230000	911096	0.3353
3	230001	235000	701000	0.2580
1	250001	255000	250972	0.0924
2	255001	260000	515230	0.1896
1	260001	265000	261360	0.0962
1	280001	285000	281000	0.1034
2	285001	290000	578900	0.2131
1	295001	300000	296410	0.1091
2	300001	305000	604387	0.2225
2	305001	310000	614637	0.2262
1	310001	315000	311800	0.1148
1	315001	320000	316800	0.1166
1	320001	325000	323928	0.1192
4	325001	330000	1315860	0.4843
2	335001	340000	672995	0.2477
1	340001	345000	340686	0.1254
1	345001	350000	345400	0.1271
1	350001	355000	353604	0.1302
1	355001	360000	359533	0.1323
1	400001	405000	404280	0.1488
1	405001	410000	408800	0.1505
2	410001	415000	823697	0.3032

PATTERN OF SHAREHOLDINGS
as at June 30, 2014

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
1	425001	430000	429000	0.1579
1	430001	435000	430100	0.1583
1	465001	470000	466950	0.1719
1	485001	490000	485020	0.1785
1	500001	505000	502228	0.1849
1	510001	515000	512500	0.1886
1	515001	520000	515220	0.1896
1	520001	525000	520610	0.1916
1	540001	545000	541700	0.1994
1	545001	550000	545908	0.2009
1	555001	560000	556767	0.2049
1	560001	565000	564500	0.2078
1	590001	595000	593340	0.2184
1	595001	600000	600000	0.2208
1	660001	665000	663790	0.2443
1	665001	670000	668738	0.2461
1	680001	685000	680723	0.2506
2	690001	695000	1385510	0.5100
1	695001	700000	700000	0.2576
1	700001	705000	702270	0.2585
1	705001	710000	710000	0.2613
1	735001	740000	735328	0.2707
2	770001	775000	1546595	0.5693
1	780001	785000	784989	0.2889
1	815001	820000	818267	0.3012
1	865001	870000	865204	0.3185
1	880001	885000	880232	0.3240
1	910001	915000	914500	0.3366
1	915001	920000	915200	0.3369
1	955001	960000	956500	0.3521
1	1015001	1020000	1017630	0.3746
1	1145001	1150000	1145537	0.4216
1	1155001	1160000	1160000	0.4270

PATTERN OF SHAREHOLDINGS
as at June 30, 2014

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
1	1230001	1235000	1233040	0.4538
1	1250001	1255000	1255000	0.4619
1	1340001	1345000	1344325	0.4948
1	1475001	1480000	1477450	0.5438
1	1495001	1500000	1500000	0.5521
1	1520001	1525000	1523385	0.5607
1	1620001	1625000	1620338	0.5964
1	1645001	1650000	1645961	0.6058
1	3060001	3065000	3062447	1.1272
1	3460001	3465000	3463050	1.2747
1	3805001	3810000	3806000	1.4009
1	4880001	4885000	4884823	1.7980
1	5920001	5925000	5922149	2.1798
1	8250001	8255000	8254381	3.0382
1	13170001	13175000	13174647	4.8492
1	15835001	15840000	15836172	5.8289
1	18405001	18410000	18408789	6.7758
1	40775001	40780000	40779388	15.0098
1	61055001	61060000	61055634	22.4729
14816		Company Total	271,685,939	100.0000

GLOSSARY

Automated Teller Machines (ATMs)
Board of Management (BoM)
Capital Expenditure (Capex)
Company-owned and Company-operated (Co-Co)
Compressed Natural Gas (CNG)
Consumer Price Index (CPI)
Corporate Social Responsibility (CSR)
Managing Director (MD)
Earnings before Interest, taxes, depreciation and amortization (EBITDA)
Economic Coordination Committee (ECC)
National Bank of Pakistan (NBP)
Furnace Oil (FO)
Gross Domestic Product (GDP)
Habib Bank Limited (HBL)
High Speed Diesel (HSD)
Independent Power Producers (IPPs)
International Monetary Fund (IMF)
Jet Fuel (JP-1)
Liquified Natural Gas (LNG)
Memorandum of Understanding (MoU)
Million Metric Tons (MMTs)
Metric Tons (MTs)
Mobile Quality Testing Units (MQTUs)
Motor Gasoline (Mogas)
Net profit (NP)
New Vision Retail Outlet (NVRO)
Non-Fuel Retail (NFR)
Oil Marketing Company (OMC)
Pakistan Investment Bonds (PIBs)
Pakistan State Oil (PSO)
Petroleum, Oil and Lubricant (POL)
Price Earning Ratio (P/E)
Profit after tax (PAT)
Quarter (Qtr)

PAKISTAN STATE OIL COMPANY LIMITED

Thirty- Eighth Annual General Meeting 2014

FORM OF PROXY ______________________________

I/We ______________________________

of ______________________________

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

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

____

Sub Account No. ______________________________

hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

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

No. /CDC ______________________________

Participant's ID and Account No. ______________________________

As my/our proxy to vote for me/us and on my/our behalf at the Thirty-Seventh Annual General Meeting of the Company to be held on Tuesday, October 14, 2014 and at any adjournment thereof.

Signed by me/us this ______________ day of __________ 2014.

Signed by the said ______________________________

Important:

This form of Proxy duly completed must be deposited at the Company's Registered Office, PSO House,

Khayaban-e-Iqbal, Clifton, Karachi not later than 48 hours before the time of holding the meeting.

A proxy should also be a Shareholder of the Company.

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for Office use

Five Rupees

Revenue Stamps

Pakistan State Oil

Pakistan State Oil Company Limited
PSO House, Khayaban-e-Iqbal, Clifton
Karachi-75600, Pakistan. UAN: (92-21) 111-111-PSO (776)
Ta'aluq Careline: 0800-03000 Email: taaluq@psopk.com
Fax: (92-21) 9920-3721 Website: www.psopk.com