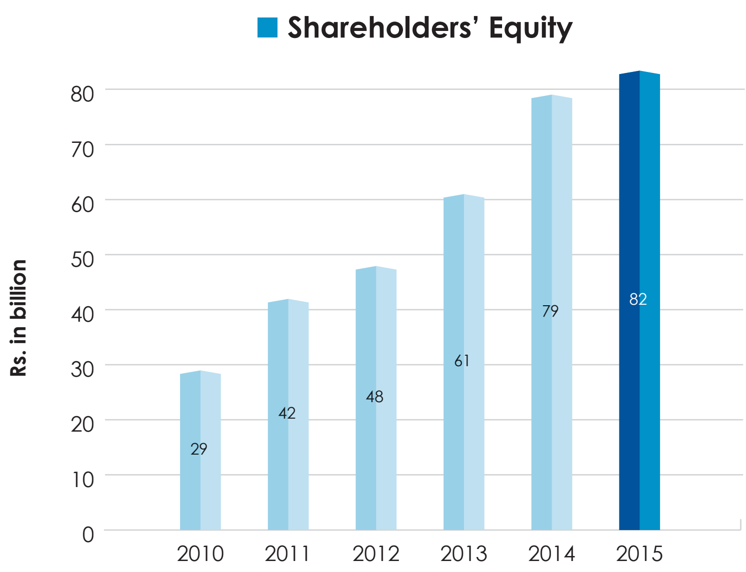
# FINANCIAL ANALYSIS

Rupees in Million (unless noted)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| **Balance Sheet** | | | | | | |
| Shareholders' Equity | 82,310 | 78,621 | 60,643 | 48,334 | 41,903 | 29,336 |
| Non Current Assets | 65,559 | 58,637 | 57,593 | 10,469 | 9,858 | 8,875 |
| Current Assets | 275,749 | 313,514 | 224,356 | 337,796 | 252,815 | 193,373 |
| Total Liabilities | 258,997 | 293,530 | 221,307 | 299,931 | 220,770 | 172,912 |



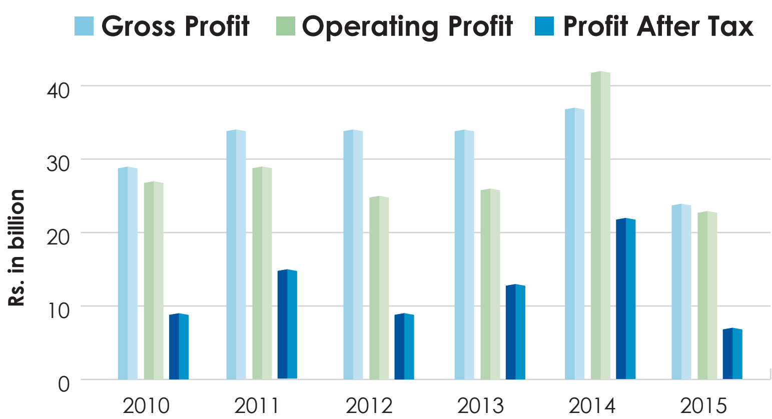

### Comments on Analysis

As of June 30, 2015, significant variation as compared to FY 2014 is because of the following:

- Shareholders equity rose by Rs 3.7 bn due to net retained income generated during the year.
- Total non current assets increased by Rs 6.9 bn mainly due to increase in market value of investment in PIB by Rs 4.3 bn, increase in investment in PRL by Rs. 0.6 bn and increase in deferred tax asset by Rs.1.5 bn.
- Current assets decreased by Rs 37.8 bn primarily due to decrease in stock in trade balances by Rs 27.8 bn owing to dip in oil prices by 46%.
- Total Liabilities decreased by Rs 34.5 bn primarily due to decrease in trade payables for oil by Rs 47 bn on account of dip in oil prices.

Rupees in Million (unless noted)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| Sales Volume (Million Tons) | 13.0 | 13.2 | 12.6 | 12.4 | 12.9 | 14.2 |
| **Profit & Loss Account** | | | | | | |
| Sales Revenue (net of discounts) | 1,114,409 | 1,409,574 | 1,294,503 | 1,199,928 | 974,917 | 877,173 |
| Net Revenue | 913,094 | 1,187,639 | 1,100,122 | 1,024,424 | 820,530 | 742,758 |
| Gross Profit | 23,579 | 36,824 | 34,161 | 34,323 | 34,280 | 29,166 |
| Other Income (including share of associates' profits) | 14,403 | 20,059 | 6,510 | 10,154 | 6,477 | 8,090 |
| Marketing & Administrative Expenses | 11,419 | 10,480 | 10,207 | 9,871 | 8,639 | 6,996 |
| Other Operating Expense | 3,513 | 3,890 | 3,664 | 9,272 | 2,240 | 2,417 |
| Operating Profit | 22,671 | 41,972 | 26,230 | 24,864 | 29,361 | 27,328 |
| Finance Cost | 11,017 | 9,544 | 7,591 | 11,659 | 11,903 | 9,882 |
| Profit before Tax | 12,033 | 32,969 | 19,210 | 13,674 | 17,974 | 17,963 |
| Profit after Tax | 6,936 | 21,818 | 12,638 | 9,056 | 14,779 | 9,050 |
| Earning before interest, taxes, depreciation & amortization | 24,050 | 43,567 | 27,960 | 26,476 | 31,016 | 29,028 |




### Comments on Analysis

The Company's after tax profitability has decreased by Rs14.9 bn in FY 2015 as compared to FY 2014. This decline was mainly due to the following:

- Decrease in gross profit by Rs 13.2 bn on account of huge inventory losses due to sharp decilne in oil prices by 46%.
- Decrease in other income by Rs 5.5 bn mainly due to less reciept of markup on delayed payments from IPPs.
- Increase in finance cost by Rs 1.5 bn due to heavy short term borrowings on account of increasing circular debt.
- Decrease in taxation by Rs 6.1 bn due to lower profits for the year.

# ANALYSIS OF VARIATION IN RESULTS REPORTED IN INTERIM REPORTS

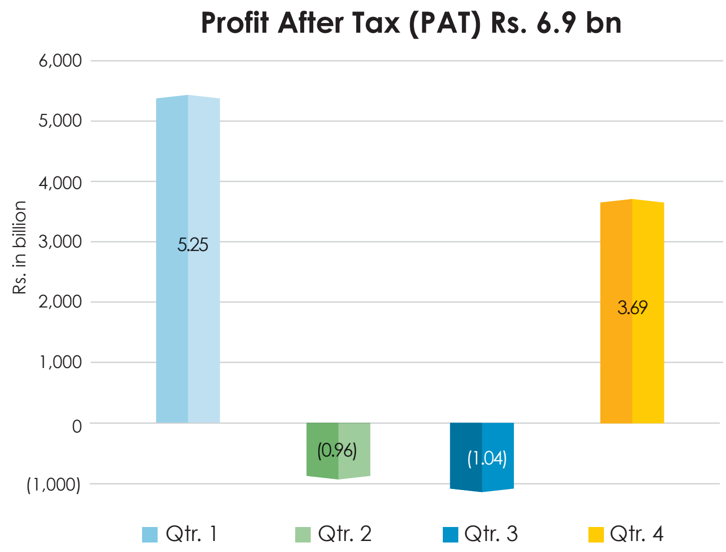
A brief analysis of variations in interim results and the manner in which each individual quarter contributed to the overall annual results is as follows:

- **Qtr 1:** Your Company reported PAT of Rs 5.2 bn mainly due to inventory gains amounting to Rs. 3.3 bn coupled with receipt of interest income from IPPs and PIBs, which was partially offset with exchange loss incurred on account of Pak rupee devaluation.

- **Qtr 2:** The PAT decreased by Rs 1 bn mainly due to inventory losses of Rs. 6.1 bn which was partly setoff with increase in white oil margins and receipt of interest income from IPPs and PIBs.

- **Qtr 3:** The PAT declined by 1 bn mainly due to inventory losses of Rs. 5.6 bn which was partly setoff with improvement in white and black oil sales volumes .

- **Qtr 4:** The PAT increased by Rs 3.7 bn mainly due to improvement in white and black oil sales volumes and an inventory gain of Rs. 0.5 bn due to stability of oil prices in last quarter.



# SUMMARY OF CASH FLOW STATEMENT WITH ANALYSIS

Rupees in Million

| Cash Flow Statement | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| Net cash (outflow) / inflow from operating activities | (29,574) | (62,367) | 79,444 | (21,327) | (8,416) | 4,958 |
| Net cash inflow / (outflow) from investing activities | 3,490 | 4,281 | (46,107) | 5 | (400) | 88 |
| Net cash (outflow) / inflow from financing activities | (22,619) | 63,682 | (11,698) | 22,737 | (2,306) | (1,944) |
| Cash & cash equivalents at end of the year | (39,584) | 9,119 | 3,523 | (18,116) | (19,531) | (8,409) |

**Comments on Analysis**

The variation in cash flows as compared to FY 2014 is because of the following:

**Operating Activities**

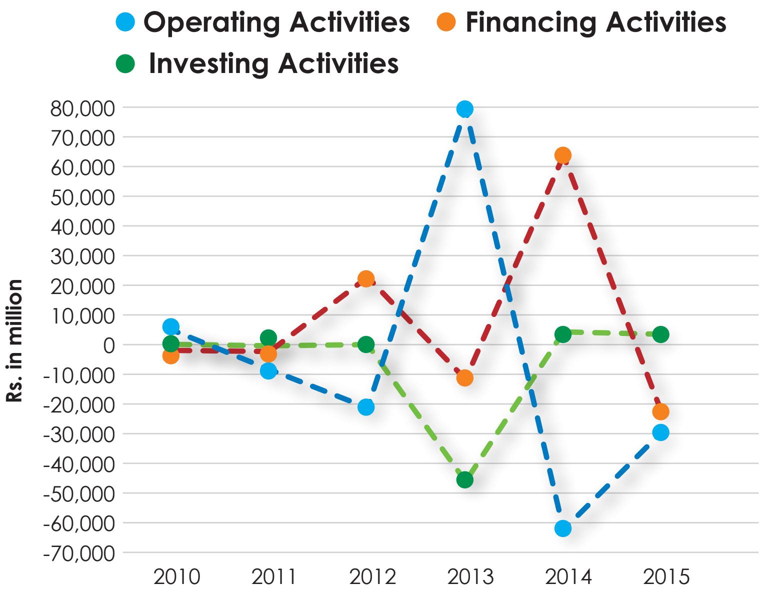
Cash flows from operating activities have improved mainly due to significant decrease in stock in trade balances by Rs 28 bn owing to dip in oil prices by 46% which ultimatley resulted in improvement in cash flows from operations by Rs 33 bn.

**Investing Activities**

Cash flows from investing activities have reduced by Rs 0.8 bn due to additional investments made in PRL in the current year amounting to Rs.0.8 bn which was not the case last year.

**Financing Activities**

Cash flows from financing activities show a cash outflow of Rs 23 bn mainly due to repayment of short term finances and foreign currency borrowings as compared to short term finances obtained during last year amounting to Rs. 65bn.

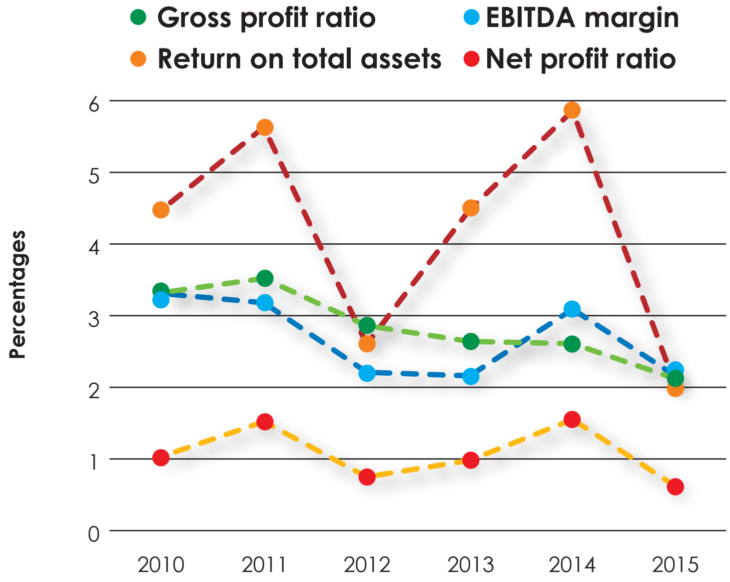


# KEY FINANCIAL RATIOS WITH ANALYSIS

| Profitabiltiy Ratios | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| Gross Profit ratio | % | 2.12 | 2.61 | 2.64 | 2.86 | 3.52 | 3.32 |
| Net Profit ratio | % | 0.62 | 1.55 | 0.98 | 0.75 | 1.52 | 1.03 |
| EBITDA margin | % | 2.16 | 3.09 | 2.16 | 2.21 | 3.18 | 3.31 |
| Return on Shareholders' Equity | % | 8.43 | 27.75 | 20.84 | 18.74 | 35.27 | 30.85 |
| Return on total assets | % | 2.03 | 5.86 | 4.48 | 2.60 | 5.63 | 4.47 |
| Return on capital employed | % | 25.43 | 50.73 | 41.29 | 47.52 | 66.16 | 86.55 |
| Operating Leverage Ratio | % | 218.63 | 659.57 | 73.42 | (65.90) | 65.49 | (2,930.77) |

The variation in ratios as compared to FY2014 is because of the following:

- The GP ratio has declined by 19% owing to heavy inventory losses incurred in current year due to dip in oil prices. NP and EBITDA ratios have also declined by 60% and 30% respectively mainly due to significant inventory losses as explained earlier alongwith decrease in other income by 28% on account of less receipt of interest income from IPPs.
- The return on shareholders' equity, total assets and capital employed has decreased by 70%, 65% and 50% respectively mainly due to reasons mentioned above.
- The decline in operating leverage ratio is because of the decrease in PBIT by 46% due to reasons mentioned above alongwith decrease in sales by 21%.



# KEY FINANCIAL RATIOS WITH ANALYSIS

| Capital Structure Ratios | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| Interest Cover ratio | (x) | 2.09 | 4.45 | 3.53 | 2.17 | 2.51 | 2.77 |
| Operating Gearing | % | 54.79 | 47.70 | 16.57 | 47.74 | 34.66 | 27.71 |
| Financial Leverage ratio | (x) | 1.24 | 1.17 | 0.28 | 0.95 | 0.59 | 0.44 |
| Weighted Average Cost of Debt | % | 9.58 | 13.57 | 8.78 | 10.62 | 13.69 | 11.16 |

The variation in ratios as compared to FY 2014 is because of the following:

- Interest cover ratio has declined due to decrease in PBIT by 46%.
- Operating gearing ratio, financial leverage ratio have weakened due to increase in short term borrowings by 11%
- Weighted average cost of debt has decreased due to increase in weighted average loan balance by 76% vs increase in finance cost by only 16%.

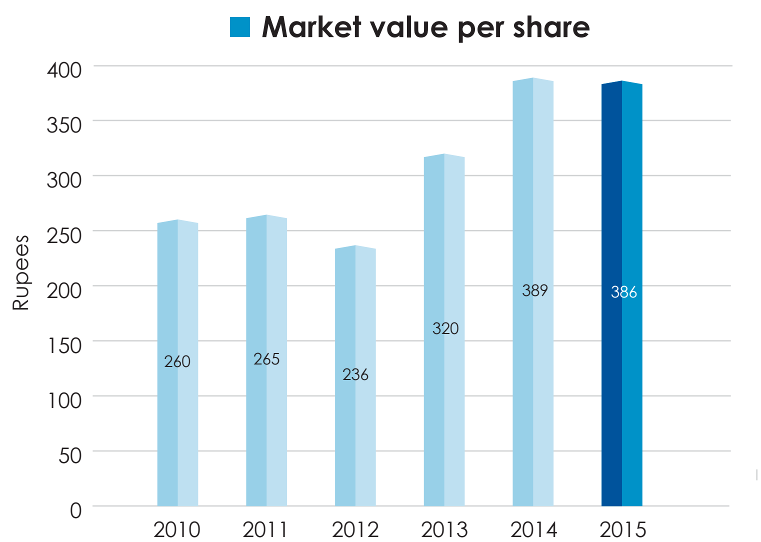
| Liquidity Ratios | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| Cash to Current Liabilities | (x) | (0.16) | 0.03 | 0.02 | (0.06) | (0.09) | (0.05) |
| Cash Flow from Operations to Sales | (x) | (0.03) | (0.04) | 0.06 | (0.02) | (0.01) | 0.01 |
| Current Ratio | (x) | 1.10 | 1.09 | 1.03 | 1.15 | 1.16 | 1.14 |
| Quick Ratio | (x) | 0.87 | 0.79 | 0.54 | 0.85 | 0.72 | 0.79 |

The variation in ratios as compared to FY 2014 is because of the following:

- Cash to current liabilities has detoriated due to negative cash and cash equivalents as of June 30, 2015.
- Cash Flow from Operations to Sales and current ratio have remained flat.
- Quick ratio has increased mainly due to decrease in stock in trade balances.

# KEY FINANCIAL RATIOS WITH ANALYSIS

| Investment / Market Ratios | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| Earning per share (Basic) | Rs. | 25.53 | 80.31 | 50.84 | 52.80 | 86.17 | 52.76 |
| Earning per share (Diluted) | Rs. | 25.53 | 80.31 | 46.52 | 33.34 | 54.39 | 33.31 |
| Market value per share (Year End) | Rs. | 385.79 | 388.85 | 320.38 | 235.84 | 264.58 | 260.20 |
| Highest Price | Rs. | 408.05 | 452.43 | 334.88 | 270.77 | 313.80 | 342.95 |
| Lowest Price | Rs. | 325.63 | 262.10 | 184.67 | 205.67 | 236.68 | 218.33 |
| Break-up value | Rs. | 302.61 | 289.05 | 245.52 | 281.01 | 243.62 | 170.56 |
| Price earning ratio (P/E) | (x) | 15.11 | 4.84 | 6.30 | 4.47 | 3.07 | 4.93 |
| Cash dividend per share | Rs. | 10.00 | 8.00 | 5.00 | 5.50 | 10.00 | 8.00 |
| Bonus share | % | - | 10.00 | 20.00 | 20.00 | - | - |
| Dividend payout (including bonus) | % | 39.17 | 11.21 | 13.77 | 14.20 | 11.60 | 15.16 |
| Dividend yield (including bonus) | % | 2.59 | 2.31 | 2.18 | 3.18 | 3.78 | 3.07 |
| Dividend cover ratio (including bonus) | (x) | 2.55 | 8.91 | 7.31 | 7.04 | 8.59 | 6.58 |

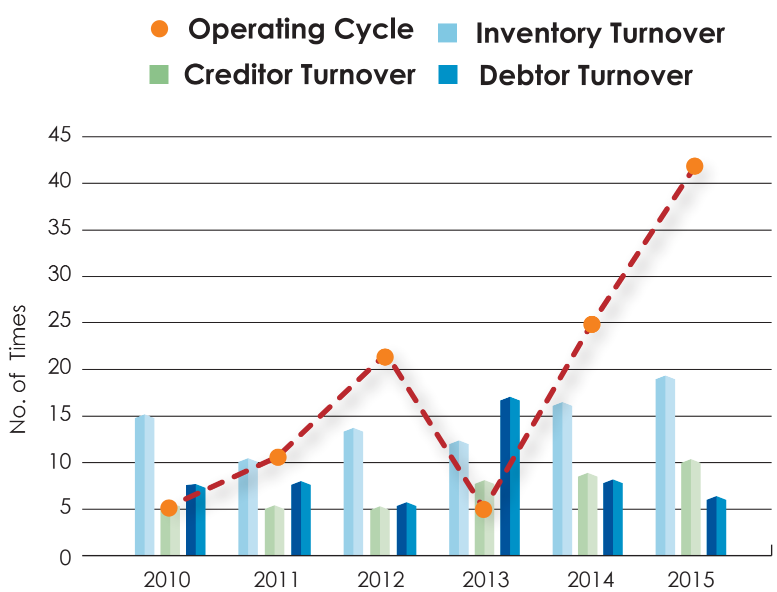



The variation in ratios as compared to FY 2014 is because of the following:

- Price earnings ratio has increased by 3 times due to decrease in bottom line by 68%, which is not reflected in the prevailing market value at year end.
- The dividend payout percentage has improved by 3 times due to increase in dividend payout despite decline in bottom line.
- The dividend yield percentage is showing an increasing trend due to increase in company payout.

# KEY FINANCIAL RATIOS WITH ANALYSIS

| Activity/Turnover Ratios | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| Inventory turnover ratio* | (x) | 19.05 | 16.33 | 12.20 | 13.55 | 10.22 | 14.97 |
| No. of days in Inventory | No. | 19 | 22 | 30 | 27 | 36 | 24 |
| Debtor turnover ratio* | (x) | 6.16 | 8.04 | 16.90 | 5.50 | 7.82 | 7.47 |
| No. of days in Receivables | No. | 59 | 45 | 22 | 66 | 47 | 49 |
| Creditor turnover ratio* | (x) | 10.08 | 8.65 | 7.77 | 5.08 | 5.17 | 5.46 |
| No. of days in Creditors | No. | 36 | 42 | 47 | 72 | 71 | 67 |
| Total asset turnover ratio | (x) | 3.12 | 4.31 | 4.11 | 3.93 | 4.19 | 4.93 |
| Fixed asset turnover ratio | (x) | 181.35 | 246.04 | 226.77 | 200.39 | 155.68 | 130.27 |
| Operating Cycle (days) | No. | 42 | 25 | 5 | 21 | 12 | 6 |




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

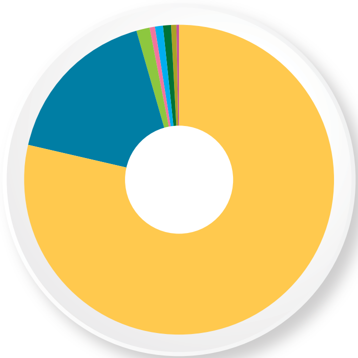
The variation in ratios as compared to FY 2014 is because of the following:

- Inventory turnover ratio has decreased by 17% due to decrease in stock in trade balances by 32% which was partly setoff with decline in sales by 21%.
- Creditors turnover ratio has increased by 17% due to decrease in trade payable balances by 24%.
- Total asset and fixed assets turnover have decreased by 28% and 26% respetively due to decrease in sales by 21%.
- The operating cycle has witnessed an increase of 68% mainly on account of delayed payments by customers. This is evident from increase in trade receivables by 3% despite decline in sales by 21%.

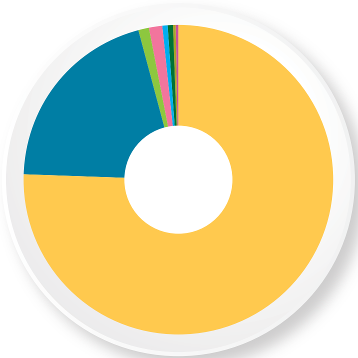
# STATEMENT OF VALUE ADDITIONS
## For the year ended June 30, 2015

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Rupees in '000 | % | Rupees in '000 | % |
| **Wealth Generated** | | | | |
| Sales (net of discounts/allowances) | 1,114,408,964 | 98.72 | 1,409,574,264 | 98.60 |
| Other income | 14,403,307 | 1.28 | 20,059,203 | 1.40 |
| | 1,128,812,271 | 100.00 | 1,429,633,467 | 100.00 |
| **Distribution of Wealth** | | | | |
| Cost of sales (excluding duties) | 805,183,674 | 71.33 | 1,080,783,780 | 75.60 |
| Government taxes | 274,330,943 | 24.30 | 288,080,450 | 20.15 |
| Inland freight equalization margin | 17,423,499 | 1.54 | 17,574,914 | 1.23 |
| Retained for future growth | 4,219,504 | 0.37 | 19,496,454 | 1.36 |
| Finance costs | 11,016,553 | 0.98 | 9,544,109 | 0.67 |
| Distribution, marketing, administrative & other expenses | 7,507,027 | 0.67 | 6,190,217 | 0.43 |
| Employees' remuneration | 6,246,515 | 0.55 | 5,541,871 | 0.39 |
| Dividend to shareholders | 2,716,860 | 0.24 | 2,321,681 | 0.16 |
| Contribution to society | 167,696 | 0.01 | 99,991 | 0.01 |
| | 1,128,812,271 | 100.00 | 1,429,633,467 | 100.00 |

**FY 2015**

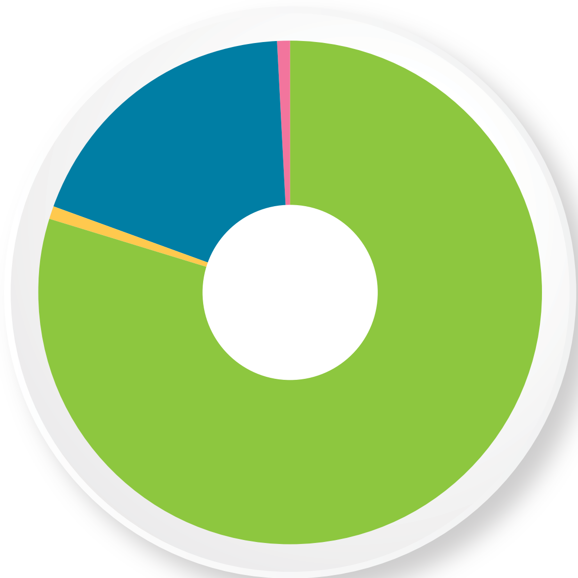



**FY 2014**



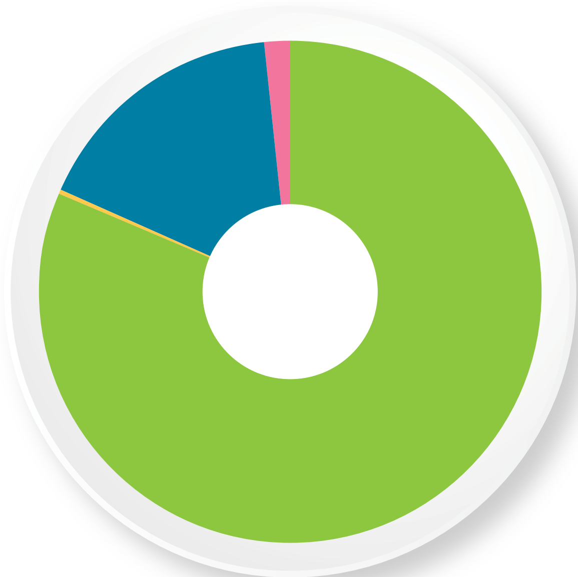
# COMPOSITION OF PROFIT & LOSS

## FY 2015 (% of sales)



| | |
|---|---|
| Cost of goods sold | 79.8 % |
| Total expenses (net of other income) | 1.0 % |
| Duties & taxes | 18.6 % |
| Profit after tax | 0.6 % |

## 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 % |

# HORIZONTAL AND VERTICAL ANALYSIS - PROFIT & LOSS

**VERTICAL ANALYSIS**

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| **Sales** | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Sales Tax | 16.50% | 14.50% | 13.79% | 13.66% | 14.15% | 13.52% |
| IFEM/Levies | 1.56% | 1.25% | 1.23% | 0.97% | 1.68% | 1.81% |
| **Net sales** | 81.94% | 84.26% | 84.98% | 85.37% | 84.16% | 84.68% |
| Cost of products sold | 79.82% | 81.64% | 82.34% | 82.51% | 80.65% | 81.35% |
| **Gross Profit** | 2.12% | 2.61% | 2.64% | 2.86% | 3.52% | 3.33% |
| Other Income | 1.26% | 1.38% | 0.46% | 0.81% | 0.61% | 0.86% |
| **Operating Costs** | | | | | | |
| Administrative & Marketing Expense | 1.02% | 0.74% | 0.79% | 0.82% | 0.89% | 0.80% |
| Other operating expenses | 0.32% | 0.28% | 0.28% | 0.77% | 0.23% | 0.28% |
| **Total Operating Costs** | 1.34% | 1.02% | 1.07% | 1.60% | 1.12% | 1.07% |
| **Profit from Operations** | 2.03% | 2.98% | 2.04% | 2.07% | 3.01% | 3.12% |
| Finance cost | 0.99% | 0.68% | 0.59% | 0.97% | 1.22% | 1.13% |
| Share of Profit of Associates | 0.03% | 0.04% | 0.04% | 0.04% | 0.05% | 0.06% |
| **Profit before taxation** | 1.08% | 2.34% | 1.49% | 1.14% | 1.84% | 2.05% |
| Taxation | 0.46% | 0.79% | 0.51% | 0.38% | 0.33% | 1.02% |
| **Profit after taxation** | 0.62% | 1.55% | 0.98% | 0.75% | 1.52% | 1.03% |

**HORIZONTAL ANALYSIS**

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| **Sales** | 127% | 161% | 148% | 137% | 111% | 100% |
| Sales Tax | 155% | 172% | 151% | 138% | 116% | 100% |
| IFEM/Levies | 110% | 111% | 100% | 73% | 104% | 100% |
| | 150% | 165% | 145% | 131% | 115% | 100% |
| **Net sales** | 123% | 160% | 148% | 138% | 110% | 100% |
| Cost of products sold | 125% | 161% | 149% | 139% | 110% | 100% |
| **Gross Profit** | 81% | 126% | 117% | 118% | 118% | 100% |
| Other Income | 185% | 258% | 78% | 128% | 79% | 100% |
| **Operating Costs** | | | | | | |
| Administrative & Marketing Expense | 163% | 150% | 146% | 141% | 124% | 100% |
| Other operating expenses | 145% | 161% | 152% | 384% | 93% | 100% |
| **Total Operating Costs** | 159% | 153% | 147% | 203% | 116% | 100% |
| **Profit from operations** | 83% | 154% | 96% | 91% | 107% | 100% |
| Finance cost | 111% | 97% | 77% | 118% | 120% | 100% |
| Share of Profit of Associates | 73% | 105% | 111% | 91% | 100% | 100% |
| **Profit before taxation** | 67% | 184% | 107% | 76% | 100% | 100% |
| Taxation | 57% | 125% | 74% | 52% | 36% | 100% |
| **Profit after taxation** | 77% | 241% | 140% | 100% | 163% | 100% |

# COMMENTS ON HORIZONTAL AND VERTICAL ANALYSIS

## Profit & Loss

**Comments on Horizontal and Vertical Analysis**

**Gross Sales Revenue**

Gross sales revenue has increased from Rs 877 bn in FY 2010 to Rs 1.1 trillion in FY 2015 registering an increase of 27%. 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. Gross profit for FY15 has declined due to heavy inventory losses incurred by your Company owing to sharp decline in oil prices. The vertical analysis shows gross profit percentage remaining in the range of 2.6% to 3.5% with the exception of FY 2015 due to reason mentioned above.

**Other Income**

Other income has witnessed a significant increase of 85% over the years. It was highest in FY 2015 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 59% mainly due to an increase in cost of doing business, inflationary pressure and rupee devaluation. An abnormal increase was witnessed in FY 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 increase over the years when compared with FY 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 FY 2014 and 2015 it has again increased due to the same reason mentioned above.

**Profit After Tax**

Profit After Tax (PAT) has declined for FY 2015 due to heavy inventory losses and less receipt of interest income. As per vertical analysis, the PAT percentage has also remained in the range of 1% over the years except for FY 2015 due to reasons mentioned above.

# HORIZONTAL AND VERTICAL ANALYSIS - BALANCE SHEET

| VERTICAL ANALYSIS | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Property, plant and equipment | 1.87% | 1.59% | 1.97% | 1.68% | 2.33% | 3.17% |
| Long term investments | 14.85% | 12.30% | 17.11% | 0.57% | 0.88% | 1.00% |
| Long term loans, advances and receivables | 0.09% | 0.09% | 0.13% | 0.11% | 0.12% | 0.16% |
| Long term deposits and prepayments | 0.05% | 0.04% | 0.04% | 0.04% | 0.06% | 0.06% |
| Deferred tax | 2.35% | 1.74% | 1.17% | 0.61% | 0.36% | 0.00% |
| **Total Non-Current Assets** | 19.21% | 15.76% | 20.43% | 3.01% | 3.75% | 4.39% |
| Stores, spares and loose tools | 0.06% | 0.05% | 0.05% | 0.04% | 0.04% | 0.06% |
| Stock-in-trade | 17.14% | 23.19% | 37.63% | 25.42% | 36.31% | 28.97% |
| Trade debts | 52.97% | 47.13% | 27.17% | 62.60% | 47.48% | 58.10% |
| Loans and advances | 0.63% | 0.15% | 0.17% | 0.15% | 0.16% | 0.20% |
| Deposits and short term prepayments | 0.56% | 0.66% | 0.85% | 0.73% | 0.39% | 0.18% |
| Accrued Interest | 0.66% | 0.60% | 0.80% | 0.00% | 0.00% | 0.00% |
| Other receivables | 5.73% | 5.67% | 9.42% | 6.06% | 8.57% | 7.20% |
| Taxation - net | 2.38% | 1.26% | 1.63% | 1.53% | 2.40% | 0.02% |
| Cash and bank balances | 0.68% | 5.54% | 1.85% | 0.47% | 0.88% | 0.88% |
| **Total Current Assets** | 80.79% | 84.24% | 79.57% | 96.99% | 96.25% | 95.61% |
| **Total Assets** | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| **EQUITY AND LIABILITIES** | | | | | | |
| Share Capital | 0.80% | 0.73% | 0.88% | 0.49% | 0.65% | 0.85% |
| Reserves | 23.32% | 20.40% | 20.63% | 13.39% | 15.30% | 13.66% |
| **Total Shareholders Equity** | 24.12% | 21.13% | 21.51% | 13.88% | 15.95% | 14.51% |
| Retirement and other service benefits | 2.44% | 1.39% | 1.51% | 1.43% | 0.85% | 0.93% |
| **Total Non-Current Liabilities** | 2.44% | 1.39% | 1.51% | 1.43% | 0.85% | 0.93% |
| Trade and other payables | 43.08% | 52.13% | 70.45% | 71.19% | 73.43% | 77.62% |
| Provisions | 0.20% | 0.19% | 0.24% | 0.20% | 0.26% | 0.34% |
| Accrued interest / mark-up | 0.25% | 0.36% | 0.15% | 0.16% | 0.16% | 0.16% |
| Short term borrowings | 29.91% | 24.81% | 6.13% | 13.14% | 9.34% | 6.44% |
| **Total Current Liabilities** | 73.45% | 77.48% | 76.98% | 84.69% | 83.20% | 84.56% |
| **Total Liabilities** | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

| HORIZONTAL ANALYSIS | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 100% | 92% | 87% | 91% | 95% | 100% |
| Total Non-Current Assets | 739% | 661% | 649% | 118% | 111% | 100% |
| Stock-in-trade | 100% | 147% | 181% | 151% | 163% | 100% |
| Trade debts | 154% | 149% | 65% | 186% | 106% | 100% |
| Other receivables | 134% | 145% | 183% | 145% | 155% | 100% |
| Cash and bank balances | 130% | 1159% | 294% | 91% | 130% | 100% |
| Total Current Assets | 143% | 162% | 116% | 175% | 131% | 100% |
| Total Assets | 169% | 184% | 139% | 172% | 130% | 100% |
| Share Capital | 158% | 158% | 144% | 100% | 100% | 100% |
| Reserves | 288% | 275% | 211% | 169% | 145% | 100% |
| Total Shareholders Equity | 281% | 268% | 207% | 165% | 143% | 100% |
| Total Long term Liabilities | 441% | 275% | 226% | 264% | 118% | 100% |
| Trade and other payables | 94% | 124% | 127% | 158% | 123% | 100% |
| Provisions | 100% | 100% | 100% | 100% | 100% | 100% |
| Total Current Liabilities | 147% | 169% | 127% | 172% | 128% | 100% |
| Total Equity & Liabilities | 169% | 184% | 139% | 172% | 130% | 100% |

# COMMENTS ON HORIZONTAL AND VERTICAL ANALYSIS

## Balance Sheet

**Comments on Horizontal and Vertical Analysis**

**Shareholders' Equity**

Total Shareholders' equity increased by 181% 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. Further, in the current year, a further decline was witnessed due to dip in oil prices by 46%.

**Total Non Current Assets**

Total non current assets increased by 639% due to investment made by your Company during FY2013 in PIBs amounting to Rs 46 bn.

**Trade Debts**

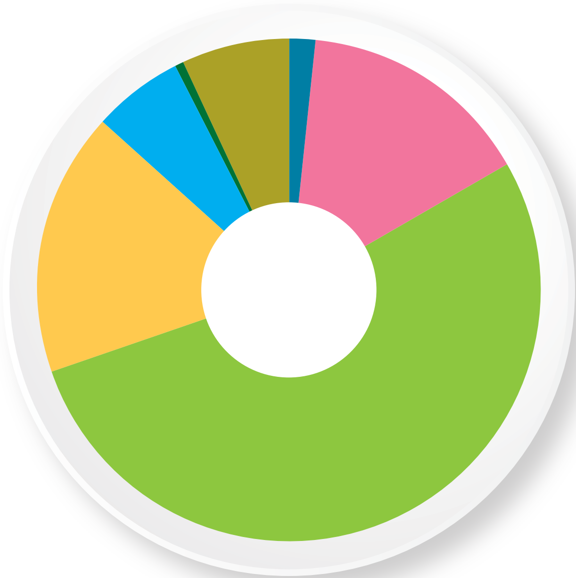
Trade debts have shown increase over the years mainly due to prevailing circular debt situation. These trade debts were lowest as of June 30, 2013 as per both horizontal and vertical analysis, due to significant injection of funds made by GoP close to year end. However, in FY 2014 and FY 2015, the balances have again increased mainly due to persistent delay in payments by power sector entities.

**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, 2015 due to fall in oil prices by 46%. 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.

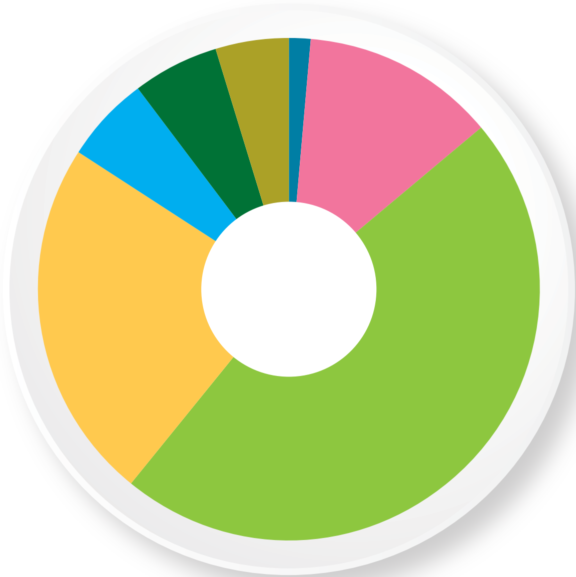
# COMPOSITION OF BALANCE SHEET

## Assets FY 2015



| | |
|---|---|
| Property, plant and equipment | 1.9% |
| Long term investment | 14.9 % |
| Trade debts | 53.0 % |
| Stock-in-trade | 17.1 % |
| Other receivables | 5.7 % |
| Cash and bank balances | 0.7 % |
| Others | 6.7 % |

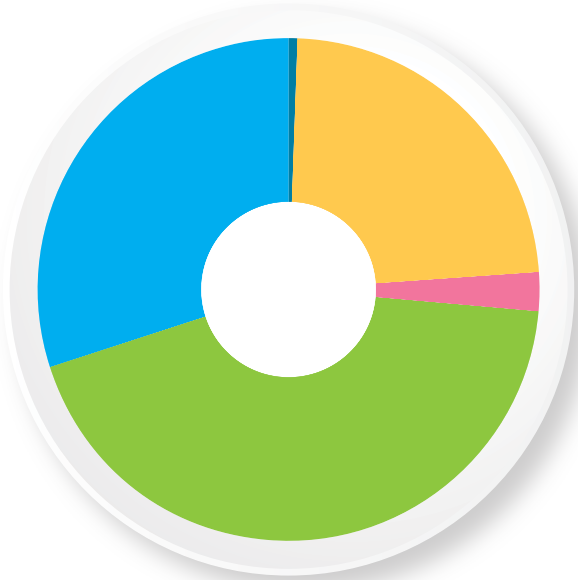
## Assets FY 2014



| | |
|---|---|
| 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 % |
| Others | 4.6 % |

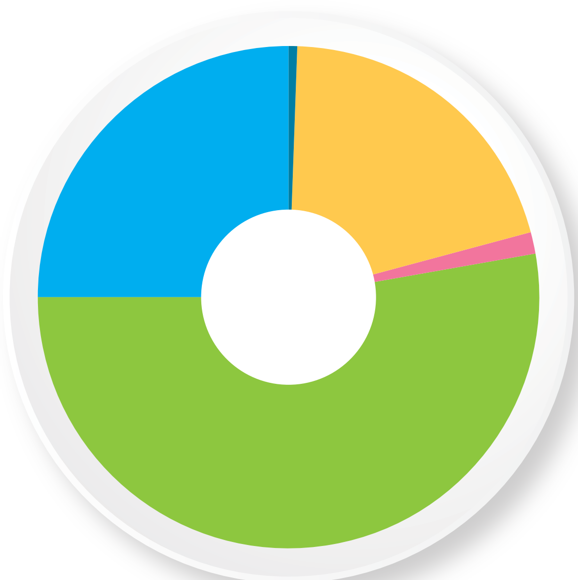
# COMPOSITION OF BALANCE SHEET

## Equity and Liabilities FY 2015



| | |
|---|---|
| Share capital | 0.8 % |
| Reserves | 23.3 % |
| Total long term liabilities | 2.4 % |
| Trade payables & other short term liabilities | 43.6 % |
| Short term borrowings | 29.9 % |

## Equity and Liabilities FY 2014



| | |
|---|---|
| Share capital | 0.7 % |
| Reserves | 20.4 % |
| Total long term liabilities | 1.4 % |
| Trade payables & other short term liabilities | 52.7 % |
| Short term borrowings | 24.8 % |

# STATEMENT OF COMPLIANCE

## with the Code of Corporate Governance, 2012 and Public Sector Companies (Corporate Governance) Rules, 2013 for the year ended June 30, 2015

This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "The Rules") and the Code of Corporate Governance, 2012 (the Code), issued by the Securities and Exchange Commission of Pakistan (SECP) and included in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed public sector Company is managed in compliance with the best practices of the Rules and the Code.

Pakistan State Oil Company Limited (the Company/PSO) is primarily regulated under the provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974 ("the 1974 Act") which takes precedence over the provisions contained in the Companies Ordinance, 1984. The Rules and the Code promulgated by the 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 Rules and the Code are not considered applicable to the extent of overriding provisions contained in the 1974 Act and Board of Management Regulations, 1974 of the Company.

The Company is managed by the Board of Management (BOM) appointed by the Federal Government under section 7 of the 1974 Act. The BOM of PSO, consisting of 10 members (including the Managing Director), was restructured by the Federal Government vide its Notification dated July 08, 2014. The governance function of the Company is primarily performed by the BOM.

During the year, the Company was informed by the Ministry of Petroleum & Natural Resources (MPNR) vide Notification dated February 12, 2015 that the Federal Government in exercise of the powers under Section 7 of the 1974 Act has dissolved/de-notified the BOM of the Company with immediate effect. The above-referred Notification also stated that the Managing Director, PSO shall exercise and perform all the powers and functions of the Board under Section 6(4) of the Act till a new BOM is appointed by the Federal Government. Accordingly, the affairs of the Company are solely being managed by the Managing Director (MD) of the Company from February 12, 2015. The Principles enshrined in the Rules and the Code were implemented by the denotified BOM and MD, as the case may be, during the year except for certain functions which could only be performed by the BOM in the ordinary circumstances.

In view of the above, the Company applied the principles contained in the Rules and the Code in the following manner:

1. The members of the denotified BOM had confirmed that none of them served as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.

2. The chairman of the denotified BOM worked separately from MD of the Company.

3. (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).

(b) The denotified BOM and subsequently MD has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.

4. The denotified BOM established a system of sound internal control and subsequently MD continued the said system, 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. The Company is in the process of developing procedures for disclosures of interest, including circumstances or considerations when a person may be deemed to have actual or potential conflict of interest which is to be formally documented in the conflict of interest policy of the Company.

6. The Company is in the process of documenting formal procedures on anticorruption.

7. The denotified BOM and subsequently MD ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.

8. The Company has formed a Committee for investigating deviations from the Company's Code of conduct.

9. The denotified BOM and subsequently MD 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 Public Procurement Regulatory Authority (PPRA) Rules.

10. The denotified BOM had developed a vision / mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.

11. The denotified BOM and subsequently MD ensured that appropriate steps have been taken for the quantification of the goods sold by the Company as a public service obligation, and request for appropriate compensation to the Government for consideration, have been made.

12. (a) The denotified BOM has met five times during the year

    (b) Written notices of the BOM meetings, along with agenda and working papers, were circulated atleast seven days before the meetings.

    (c) Minutes of the meetings were appropriately recorded and circulated.

13. The denotified BOM and MD monitored and assessed the performance of senior management. The denotified BoM has however not carried out a performance evaluation of its members,

including Chairman and MD. However, the new BOM (once appointed) would be deciding on the criteria against which the performance of BOM members can be evaluated.

14. The denotified BOM reviewed and approved the related party transactions placed before it after recommendations of the audit committee. The audit committee was dissolved on February 12, 2015, consequent to the denotification of BOM, after which related party transactions were placed by the management before MD for his approval. A party wise record of transactions entered into with the related parties during the year has been maintained.

15. (a) The denotified BOM has approved the profit and loss account for, and balance sheet as at the end of the first quarter of the year. In the absence of BoM the profit and loss account for, and balance sheet as at the second and third quarter of the year, as well as for the financial year and has been approved by MD. The annual financial statements have been placed on the Company's website.

    (b) Monthly accounts of October and November 2014 were prepared and circulated to the denotified BoM members in a timely manner. Monthly accounts of July and August 2014 were apprised to the BOM in its meeting held on September 03, 2014 in which annual financial statements for the year ended June 30, 2014 were approved. After the denotification of BoM, monthly accounts from January to May 2015 were presented before MD by the management.

16. The members of denotified BOM underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules and the Code

17. The denotified BOM formed the following requisite committees, as specified in the Rules. The committees were provided with written term of reference defining their duties, authority and meetings. The committees were chaired by the following non-executive BoM members:

| Committees | Number of Members | Name of Chairman |
|---|---|---|
| Board Human Resource & Remuneration Committee | 4 | Mr. Umar Azim Daudpota |
| Board Audit & Compliance Committee | 3 | Mr. Shahid Islam |
| Board Finance & Risk Management Committee | 3 | Mr. Bilal Ejaz |

These committees stand dissolved upon the denotification of BOM on February 12, 2015, after which, these committees did not exist. The new BOM, once appointed by the Federal Government, will form the aforementioned committees, and the formation of Procurement Committee, which is also a requirement of the Rules, will be considered.

18. The BOM approved the appointment of Chief Financial Officer including his remuneration at the same terms as included in his contract. There was no change in the position of Company Secretary and the Head of Internal Audit during the year.

19. The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Companies Ordinance, 1984 (the Ordinance), for preparation and presentation of its financial statements.

20. The report to the shareholders for current 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.

21. The MD and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

22. The procedure for fixing the remuneration packages of Managing Director and Chairman of BOM is the function of the Federal Government under section 6(1) & (3) of the 1974 Act. Accordingly, this function was performed by the Federal Government. The Non-executive BOM members do not have fixed remuneration per se and are being paid a fix fee for each meeting attended. The said fees are decided upon by the BOM collectively.

23. The financial statements of the Company for the first quarter were duly endorsed by the MD and Chief Financial Officer, before approval by the denotified BOM. The financial statements of second and third quarter and annual financial statements were endorsed by the Chief Financial Officer before approval by the MD of the Company.

24. The denotified BOM formed an Audit & Compliance Committee, with defined and written terms of reference, and had following members:

| Name of Member | Category | Professional Background |
|---|---|---|
| Mr. Shahid Islam | Non-Executive | Chartered Accountant (England & Wales) and experience of working as Managing Director and Director Finance and Information System of National Airline |
| Mr. Umar Azim Daudpota | Non-Executive | MBA and experience in the field of banking |
| Mr. Hussain Islam | Non-Executive | BSC in Finance and Master’s in Law and Vice Chairman of Karachi Port Trust |

The MD and the Chairman of the BOM were not the members of the Audit & Compliance Committee. However, the Audit & Compliance Committee was dissolved on February 12, 2015 on denotification of the BOM by the Federal Government.

25. The denotified BOM had set up an effective internal audit function, with an audit charter, duly approved by the Audit & Compliance Committee in prior years, and which works in accordance with the applicable standards. In the post denotification period, the internal audit function reported to the MD.

26. The Company has appointed its external auditors in line with the requirements envisaged under the Rules.

27. The external auditors of the Company have confirmed that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.

28. 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.

29. The Company has complied with all the significant corporate and financial reporting requirements of the Rules, except for the requirements which are not considered applicable to the Company to the extent of overriding provisions of the 1974 Act and Board of Management Regulations, 1974, and the requirements which could not be complied with subsequent to denotification of BOM by the Federal Government on February 12, 2015.

**Additional requirements under the Code:**

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 the Code applicable for listed companies for which parallel provisions do not exist in the Rules.

a) All the members of the denotified BOM were 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.

b) All the powers of the BOM were duly exercised and decisions on material transactions were 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 1974 Act, hence, this matter was referred to the Federal Government for approval.

c) A total of five meetings of BOM were held during the period July 1, 2014 till February 12, 2015, which were chaired by the Chairman. However, pursuant to the aforementioned Notification dated February 12, 2015 the MD of the Company exercised its powers under section 6(4) of the 1974 Act.

d) Director’s training programme was not arranged during the year for the members of BOM (including the Managing Director). However, the management will plan training programme for the members of BOM in due course.

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

f) 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 exchanges.

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

h) The Company has complied with the corporate and financial reporting requirements of the Code except for the requirements which could not be complied with due to denotification of BOM by the Federal Government on February 12, 2015, resulting in dissolution of committees formed by BOM.

i) We confirm that all other material principles enshrined in the Code have been complied with except for the requirements which could not be complied with due to denotification of BOM by the Federal Government on February 12, 2015, resulting in dissolution of committees formed by BOM.

**Sheikh Imran ul Haque**
Managing Director & CEO

Karachi: September 14, 2015

# REVIEW REPORT TO THE MEMBERS

## ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance (both herein referred to as 'Codes') prepared by the Managing Director (MD) of Pakistan State Oil Company Limited (the Company); in the absence of Board of Management – Oil (BOM), for the year ended June 30, 2015 to comply with the requirements of Listing Regulations 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 BOM and in the absence of BOM that of MD of the Company due to denotification of BOM by the Federal Government through notification dated February 12, 2015. 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 BOM's / MDs' 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 BOM 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 BOM upon recommendation of the Audit Committee. As stated in paragraph 14 of the Statement of Compliance, the Audit Committee stands dissolved on February 12, 2015 upon denotification of BOM of the Company by the Federal Government, where-after the related party transactions were approved solely by the MD of the Company in exercise of his powers under section 6 (4) of the Marketing of Petroleum Products (Federal Control) Act, 1974. 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 Public Procurement Regulatory Authority (PPRA) Rules. We have only carried out procedures to check compliance with the above mentioned rules on a test basis as a part of our audit of the financial statements of the Company.

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, 2015 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 enclosed Statement of Compliance.

We draw attention to the Statement of Compliance, which states that the Company is primarily regulated under the provisions of Marketing of Petroleum Products (Federal Control) Act, 1974 (the

1974 Act) and managed by the BOM appointed by the Federal Government under section 7 of the 1974 Act. The BOM was denotified by the Ministry of Petroleum & Natural Resources (MPNR) vide notification dated February 12, 2015 with immediate effect. The Notification also stated that the MD of the Company shall exercise and perform all the powers and functions of the Board under Section 6(4) of the 1974 Act till a new BOM is appointed by the Federal Government. Accordingly, the affairs of the Company are being solely managed by the MD of the Company with effect from February 12, 2015. The Principles enshrined in the Codes were implemented during the year by the denotified BOM and the MD (MD), as the case may be, except for certain functions which could have only been performed by the BOM in the ordinary circumstances.

Further, we draw attention to following paragraph of the Statement of Compliance with respect to significant instances of non-compliances with the requirements of the Codes as reflected in the respective paragraphs:

**Paragraph Reference**

5 - The Company is in the process of developing procedures for disclosures of interest, including circumstances or considerations when a person may be deemed to have actual or potential conflict of interest.

6- The Company is in the process of documenting formal procedures on anti-corruption to be included in the Company's Code of Conduct to minimize actual or perceived corruption in the Company.

13- Criteria for assessment and evaluation of performance of BOM was not developed and neither such assessment / evaluation was carried out during the year.

17- Board Human Resource & Remuneration Committee, Board Audit & Compliance Committee and Board Finance & Risk Management Committee stand dissolved on de-notification of BOM by Federal Government on February 12, 2015 accordingly the functions of these Committees were performed by the MD in the absence of these Committees except certain functions which could only be performed by the Committees in ordinary circumstances.

Further, Procurement Committee was not formed as required under the Rules.

25- In the post denotification period, the internal audit function reported to the MD.

Training programme was not arranged during the year for the members of BOM, (refer additional requirements of Code of Corporate Governance, 2012).

**Deloitte Yousuf Adil**
**Chartered Accountants**
**Nadeem Yousuf Adil**

**A. F. Ferguson & Co.**
**Chartered Accountants**
**Waqas A. Shaikh**

Karachi: September 16, 2015

# AUDITORS' REPORT TO THE MEMBERS
## For the year ended June 30, 2015

We have audited the annexed balance sheet of Pakistan State Oil Company Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows 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, 2015 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.

**Emphasis of matter**

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. 9,270 million due from the Government of Pakistan as good debts for the reasons given in the aforementioned notes;

- Note 12.2 to the financial statements. The Company considers aggregate amount of Rs. 40,624 million (net of provision of Rs. 610.544 million); inclusive of Rs. 21,346 million received subsequent to the balance sheet date, due from a Power Generation company as good debt for the reasons given in the aforementioned note;

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

- 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; and

- Notes 1.2 and 45 to the financial statements, which more fully explain that in the absence of the Board of Management - Oil these financial statements have been approved by the Managing Director of the Company, exercising the powers of the Board.

Our report is not qualified in respect of the aforementioned matters.

**Other matters**

The financial statements of the Company for the year ended June 30, 2014 were audited by Deloitte Yousuf Adil Chartered Accountants and KPMG Taseer Hadi & Co. Chartered Accountants, who through their report dated September 3, 2014, expressed an unqualified opinion thereon. However, their aforementioned report included emphasis of matter paragraph highlighting matters relating to the price differential claims receivable from Government of Pakistan (notes 15.1 to 15.4), non-accrual of mark-up on delayed payments (note 24.1.1) and tax implication of Rs. 958 million for income tax years 1996-97 and 1997-98 which is pending in the Supreme Court of Pakistan (note 24.1.2).

**Deloitte Yousuf Adil**
Chartered Accountants
Nadeem Yousuf Adil

**A. F. Ferguson & Co.**
Chartered Accountants
Waqas A. Sheikh

Date: September 08, 2015
Place: Karachi

# BALANCE SHEET
## As at June 30, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 6,333,296 | 5,854,769 |
| Intangibles | 5 | 54,342 | 48,407 |
| Long - term investments | 6 | 50,680,952 | 45,789,368 |
| Long - term loans, advances and receivables | 7 | 322,509 | 340,681 |
| Long - term deposits and prepayments | 8 | 156,110 | 139,271 |
| Deferred tax | 9 | 8,011,313 | 6,464,408 |
| | | 65,558,522 | 58,636,904 |
| **Current assets** | | | |
| Stores, spare parts and loose tools | 10 | 207,693 | 189,335 |
| Stock-in-trade | 11 | 58,492,301 | 86,297,218 |
| Trade debts | 12 | 180,778,298 | 175,386,168 |
| Loans and advances | 13 | 2,135,165 | 490,811 |
| Deposits and short - term prepayments | 14 | 1,903,360 | 2,511,329 |
| Mark-up / interest receivable on investments | | 2,237,478 | 2,251,290 |
| Other receivables | 15 | 19,550,181 | 21,107,995 |
| Taxation - net | | 8,132,351 | 4,673,470 |
| Cash and bank balances | 16 | 2,311,884 | 20,606,509 |
| | | 275,748,711 | 313,514,125 |
| **Net assets in Bangladesh** | 17 | - | - |
| **TOTAL ASSETS** | | 341,307,233 | 372,151,029 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 18 | 2,716,860 | 2,716,860 |
| Reserves | 19 | 79,593,436 | 75,904,297 |
| | | 82,310,296 | 78,621,157 |
| **Non-current liabilities** | | | |
| Retirement and other service benefits | 20 | 8,320,764 | 5,183,609 |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 147,045,253 | 194,008,480 |
| Provisions | 22 | 688,512 | 688,512 |
| Accrued interest / mark-up | 23.2 | 866,894 | 1,328,197 |
| Short - term borrowings | 23 | 102,075,514 | 92,321,074 |
| | | 250,676,173 | 288,346,263 |
| **Contingencies and commitments** | 24 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 341,307,233 | 372,151,029 |

The annexed notes 1 to 45 form an integral part of these financial statements.

**Sheikh Imran ul Haque**
Managing Director & CEO

# PROFIT AND LOSS ACCOUNT
## For the year ended June 30, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Net sales | 25 | 913,094,377 | 1,187,639,316 |
| Cost of products sold | 26 | (889,515,267) | (1,150,815,228) |
| **Gross profit** | | 23,579,110 | 36,824,088 |
| Other income | 27 | 14,023,958 | 19,517,674 |
| **Operating costs** | | | |
| Distribution and marketing expenses | 28 | (9,018,504) | (8,395,769) |
| Administrative expenses | 29 | (2,400,824) | (2,084,165) |
| Other operating expenses | 30 | (3,512,788) | (3,890,061) |
| | | (14,932,116) | (14,369,995) |
| **Profit from operations** | | 22,670,952 | 41,971,767 |
| Finance costs | 31 | (11,016,553) | (9,544,109) |
| | | 11,654,399 | 32,427,658 |
| Share of profit of associates - net of tax | 6.3.1 | 379,349 | 541,529 |
| **Profit before taxation** | | 12,033,748 | 32,969,187 |
| Taxation | 32 | (5,097,384) | (11,151,052) |
| **Profit for the year** | | 6,936,364 | 21,818,135 |
| | | (Rupees) | |
| Earnings per share - basic and diluted | 33 | 25.53 | 80.31 |

The annexed notes 1 to 45 form an integral part of these financial statements.

**Sheikh Imran ul Haque**
Managing Director & CEO

# STATEMENT OF COMPREHENSIVE INCOME
For the year ended June 30, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Profit for the year | | 6,936,364 | 21,818,135 |
| **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 an associate, net of tax | 6.3.1 | (15,926) | (711) |
| Actuarial losses on remeasurement of retirement and other service benefits | 20.2.4 | (5,578,591) | (1,523,865) |
| Less: Taxation thereon | | 1,819,669 | 512,446 |
| | | (3,758,922) | (1,011,419) |
| Unrealised gain due to change in fair value of long-term available-for-sale investments | | - | 527,263 |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Share of unrealised loss due to change in fair value of available-for-sale investments of associates | 6.3.1 | (6,517) | (791) |
| Unrealised gain / (loss) due to change in fair value of long-term available-for-sale investments | 6.1 | 4,815,849 | (2,613,532) |
| Less: Taxation thereon | | (1,564,849) | 864,840 |
| | | 3,251,000 | (1,748,692) |
| **Total comprehensive income for the year** | | 6,405,999 | 19,583,785 |

The annexed notes 1 to 45 form an integral part of these financial statements.

**Sheikh Imran ul Haque**
Managing Director & CEO

# STATEMENT OF CHANGES IN EQUITY

## For the year ended June 30, 2015

| | Share capital | Reserves: Capital Reserves: Surplus on vesting of net assets | Reserves: Revenue Reserves: Unrealized (loss)/gain on remeasurement of long term available-for-sale investments | Reserves: Revenue Reserves: Company's share of unrealised gain/(loss) on available-for-sale investment of associates | Reserves: Revenue Reserves: General reserve | Reserves: Revenue Reserves: Un-appropriated profit | Reserves: Sub-total | Total |
|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | | |
| **Balance as at July 1, 2013** | 2,469,872 | 3,373 | 653,510 | 7,874 | 25,282,373 | 32,225,787 | 58,172,917 | 60,642,789 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | - | - | - | - | - | 21,818,135 | 21,818,135 | 21,818,135 |
| **Other comprehensive income** | | | | | | | | |
| Unrealised loss due to change in fair value of long-term available for sale investments - net of tax | - | - | (1,221,429) | - | - | - | (1,221,429) | (1,221,429) |
| Transfer of unrealised gain on available for sale investment due to change in classification | - | - | (1,025,061) | - | - | 1,025,061 | - | - |
| Share of Company's actuarial loss on remeasurement of post employment defined benefit plan of associate - net of tax | - | - | - | - | - | (711) | (711) | (711) |
| Share of unrealised loss due to change in fair value of available-for-sale investment of associates - net of tax | - | - | - | (791) | - | - | (791) | (791) |
| Loss on remeasurement of retirement and other service benefits - net of tax | - | - | - | - | - | (1,011,419) | (1,011,419) | (1,011,419) |
| | - | - | (2,246,490) | (791) | - | 12,931 | (2,234,350) | (2,234,350) |
| **Transaction with the owners** | | | | | | | | |
| Final dividend for the year ended June 30, 2013 @ Rs. 2.5 per share | - | - | - | - | - | (617,468) | (617,468) | (617,468) |
| Interim dividend for the year ended June 30, 2014 @ Rs. 4 per share | - | - | - | - | - | (987,949) | (987,949) | (987,949) |
| Issuance of Bonus shares @ 10% | 246,988 | - | - | - | - | (246,988) | (246,988) | - |
| | 246,988 | - | - | - | - | (1,852,405) | (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 | 75,904,297 | 78,621,157 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | - | - | - | - | - | 6,936,364 | 6,936,364 | 6,936,364 |
| **Other comprehensive income** | | | | | | | | |
| Unrealised gain due to change in fair value of long-term available-for-sale investments - net of tax | - | - | 3,251,000 | - | - | - | 3,251,000 | 3,251,000 |
| Share of Company's actuarial loss on remeasurement of defined benefit plan of associate - net of tax | - | - | - | - | - | (15,926) | (15,926) | (15,926) |
| Share of unrealised loss due to change in fair value of available for sale investment of associates - net of tax | - | - | - | (6,517) | - | - | (6,517) | (6,517) |
| Loss on remeasurement of retirement and other service benefits - net of tax | - | - | - | - | - | (3,758,922) | (3,758,922) | (3,758,922) |
| | - | - | 3,251,000 | (6,517) | - | (3,774,848) | (530,365) | (530,365) |
| **Transaction with the owners** | | | | | | | | |
| Final dividend for the year ended June 30, 2014 @ Rs. 4 per share | - | - | - | - | - | (1,086,744) | (1,086,744) | (1,086,744) |
| Interim dividend for the year ended June 30, 2015 @ Rs. 6 per share | - | - | - | - | - | (1,630,116) | (1,630,116) | (1,630,116) |
| | - | - | - | - | - | (2,716,860) | (2,716,860) | (2,716,860) |
| **Balance as at June 30, 2015** | 2,716,860 | 3,373 | 1,658,020 | 566 | 25,282,373 | 52,649,104 | 79,593,436 | 82,310,296 |

The annexed notes 1 to 45 form an integral part of these financial statements.

**Sheikh Imran ul Haque**
Managing Director & CEO

# STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash used in operations | 34 | (5,902,338) | (42,344,683) |
| Long-term loans, advances and receivables | | 18,172 | 39,532 |
| Long-term deposits and prepayments | | (16,839) | (26,178) |
| Taxes paid | | (9,848,350) | (13,033,251) |
| Finance costs paid | | (10,074,420) | (5,425,652) |
| Retirement and other service benefits paid | | (3,750,292) | (1,576,643) |
| **Net cash used in operating activities** | | (29,574,067) | (62,366,875) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of | | | |
| -property, plant and equipment | | (1,454,132) | (1,372,676) |
| -intangibles | | (32,842) | (35,405) |
| Proceeds from disposal of operating assets | | 11,833 | 12,068 |
| Investment in associate | | (115,675) | - |
| Advance against purchase of shares of an associate | | (630,000) | - |
| Interest income from PIBs | | 5,041,232 | 5,041,232 |
| Dividends received | | 669,141 | 635,703 |
| **Net cash generated from investing activities** | | 3,489,557 | 4,280,922 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Short-term finances (repaid) / obtained | | (20,654,248) | 65,268,067 |
| Dividends paid | | (1,964,555) | (1,586,259) |
| **Net cash (used in) / generated from financing activities** | | (22,618,803) | 63,681,808 |
| **Net (decrease) / increase in cash and cash equivalents** | | (48,703,313) | 5,595,855 |
| Cash and cash equivalents at beginning of the year | | 9,119,088 | 3,523,233 |
| **Cash and cash equivalents at end of the year** | 35 | (39,584,225) | 9,119,088 |

The annexed notes 1 to 45 form an integral part of these financial statements.

**Sheikh Imran ul Haque**
Managing Director & CEO

(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 (BoM) 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.

On February 12, 2015, a notification was received from the Ministry of Petroleum & Natural Resources (MoP&NR) whereby PSO was informed by the MoP&NR that the Federal Government in exercise of the powers under Section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 (the Act) dissolved/de-notified the BoM of the Company with immediate effect. The notification also stated that the Managing Director of the Company shall exercise and perform all the powers and functions of the Board under Section 6(4) of the Act till a new BoM is appointed by the Government of Pakistan. Accordingly, effective February 12, 2015, the affairs of the Company are being managed solely by the acting Managing Director 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 and recognition of certain staff retirement and other service benefits carried at present value.

### 2.3 Functional and presentation currency

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

(Amounts in Rs.'000)

**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. The estimates and assumptions that are subject to risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**2.4.1 Property, plant and equipment and intangibles**

The Company reviews appropriateness of the rates of depreciation / amortisation, useful lives and residual values used in the calculation of depreciation / amortisation of property, plant and equipment and intangible assets on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

**2.4.2 Stock-in-trade**

The Company reviews the net realisable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

**2.4.3 Provision for impairment of trade debts and other receivables**

The Company assesses the recoverability of its trade debts and other receivables if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debts and other receivables are impaired.

**2.4.4 Income taxes**

Significant judgement is required in determining the provision for income taxes. There are few transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

**2.4.5 Provision for retirement and other service benefit obligations**

The present value of these obligations depends on a number of factors and is being calculated on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amounts of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 20.

(Amounts in Rs.'000)

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

### 2.5.1 Amendments and interpretations to approved accounting standards that became effective during the year

The following new amendments and interpretations are effective for the year ended June 30, 2015 and are relevant to the Company:

- **Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities**

  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 entity 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 Company's current accounting treatment for recognition of assets and liabilities is in line with this amendment.

- **IFRIC 21 - Levies**

  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 Company's current accounting policy is substantially in line with this amendment.

  The other new standards, amendments to published standards and interpretations that are mandatory for the first time for financial year beginning on July 1, 2014 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

### 2.5.2 Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company.

The following new standards and amendments to published standards are only effective for Company's accounting periods, beginning on or after July 1, 2015 and have not been early adopted by the Company.

- **IAS 27 (Revised 2011) – Separate Financial Statements. (Effective for accounting periods beginning on or after January 01, 2015)**

  The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. Subsequently, IASB issued amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed. The Company is yet to assess the impact of this standard on its financial reporting.

(Amounts in Rs.'000)

- **IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures. (Effective for 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. The Company is yet to assess the impact of this standard on its financial reporting.

- **IFRS 10 – Consolidated Financial Statements. (Effective for accounting periods beginning on or after January 01, 2015)**

  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. The Company is in the process of assessing the impact of this standard on its long term investments in Pakistan Refinery Limited and Asia Petroleum Limited.

- **IFRS 12 – Disclosure of Interests in Other Entities. (Effective for 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. The application of standard will only result in additional disclosures in Company's financial statements.

- **IFRS 13 – Fair Value Measurement. (Effective for 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. The Company is yet to assess the full impact of this standard on its financial reporting.

There are number of other standards, amendments and interpretation to the published standards that are not relevant to the Company and therefore have not been presented here.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been notified and adopted in Pakistan 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 such 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 and non-State Owned Enterprises (SOEs) 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.

(Amounts in Rs.'000)

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 above stated GoP policy of empowerment of employees of SOEs need to be accounted for by the covered entities, including the Company, under the provisions of amended 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 in June 2011 vide SRO 587(I)/2011, on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs. 26,155 (2014: Rs. 209,238), profit after taxation would have been lower by Rs. 26,155 (2014: Rs. 209,238), retained earnings would have been lower by Rs. 1,255,653 (2014: Rs.1,229,498), earnings per share would have been lower by Rs. 0.10 (2014: Rs. 0.77) per share and reserves (excluding retained earnings) would have been higher by Rs. 1,255,653 (2014: 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 set out below. These have been consistently applied to all the years presented, unless otherwise stated.

### 3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land 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. Fixed assets under capital work in progress are classified to the appropriate categories of property, plant and equipment, when completed and ready for 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 reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continuing use of assets.

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

**3.2 Intangibles**

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 costs. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any, thereon.

Intangible asset is amortised from the month when such asset is available for use on straight-line basis over its useful economic life. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on prospective basis.

**3.3 Financial instruments**

**3.3.1 Financial assets**

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

**a) 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.

**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,

(Amounts in Rs.'000)

except those having maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, interest accrued, other receivables, cash and bank balances.

**c) Available-for-sale**

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

**d) Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has positive 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 and derecognised 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 carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Changes in fair value of the securities classified as available for sale investments are recognised in other comprehensive income. 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 dividends is established. Amortisation of premium on acquisition of the investments is carried out using the effective interest rate 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 reporting 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 is 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.

**3.3.2 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 recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

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

**3.4 Investment in associates**

Associates are all entities over which the Company has significant influence but not control, generally represented by a shareholding of 20% or more but less than 50% of the voting rights. Significant influence is the power to participate in the financial and operating policies and decisions of the investees. 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 the profit and loss account and its share in associates' post acquisition comprehensive income is recognised in Company's other comprehensive income. Cumulative post acquisition movements are adjusted against the carrying value of the investments. Distributions received from associates reduces 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 it's recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any, is recognised in the profit and loss account.

(Amounts in Rs.'000)

**3.5 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 reporting 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.

**3.6 Stock-in-trade**

Stock-in-trade is valued at 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 reporting 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 comprises invoice value and charges such as excise, custom duties, etc. 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.

**3.7 Trade debts and other receivables**

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest 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.

**3.8 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 within short term borrowings under current liabilities on the balance sheet.

**3.9 Impairment**

**3.9.1 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.

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. For financial assets carried at cost, the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods. For financial assets' carried at amortised cost, the amount of impairment loss recognised is the difference between carrying amount and present value of estimated cash flows, discounted at effective interest rate.

**3.9.2 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 determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. 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 amortisation, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in the profit and loss account.

**3.10 Share capital**

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

**3.11 Retirement and other service benefits**

**3.11.1 Pension funds**

The Company operates approved funded defined benefit pension schemes separately for both management and non-management employees. The schemes provide pension based on the employees' last drawn salary. Pensions are payable for life and thereafter to surviving spouses and / or dependent children. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains or losses (re-measurements) are immediately recognised in 'Other Comprehensive Income' as they occur. 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 the profit and loss account.

(Amounts in Rs.'000)

**3.11.2 Gratuity fund**

The Company 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. Actuarial gains or losses (re-measurements) are immediately recognised in 'Other Comprehensive Income' as they occur. 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 the profit and loss account.

**3.11.3 Post retirement medical benefits**

The Company also provides post retirement medical benefits to its permanent employees except for those management employees who joined the Company after July 1, 2001. Under the unfunded scheme all such employees and their spouses are entitled to the benefits. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains or losses (re-measurements) are immediately recognised in 'Other Comprehensive Income' as they occur. 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 the profit and loss account.

**3.11.4 Compensated absences**

The Company provides for compensated absences on the basis of actuarial valuation carried out in accordance with the requirements of IAS 19 "Employees Benefits". Actuarial valuation of the scheme is carried out every year.

**3.12 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 employees 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 restricted at the rate of 8.33% per annum.

**3.13 Borrowings**

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

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

### 3.14 Trade and other payables

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

### 3.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, 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 reporting date and adjusted to reflect current best estimate.

The amount recognised as provision is the best estimate of consideration required to settle the present obligation at the end of reporting period, taking into account the risk and uncertainties surrounding the obligation.

### 3.16 Taxation

#### 3.16.1 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 recognised directly in other comprehensive income, in which case it is also recognised in other comprehensive income.

#### 3.16.2 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, unabsorbed depreciation, unused tax losses and tax credits can be utilised. 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 realised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the reporting 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.

(Amounts in Rs.'000)

**3.17 Foreign currency transactions and translation**

Transactions in foreign currencies are translated into functional currency (Pakistan Rupees) 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 reporting date. Exchange gains and losses resulting from settlement of foreign currency transactions and translation of monetary assets and liabilities at the rates prevailing at the reporting date are included in the profit and loss account. Non monetary items that are measured in terms of a historical cost in a foreign currency are not re-translated.

**3.18 Offsetting financial instruments**

Financial assets and liablities are offset and the net amount reported in the balance sheet when there is a legally enfoceable right to offset the recognised amount and there is an intention to settle either on a net basis, or realise the asset and settle the liablity simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**3.19 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 coincides 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.

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

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

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

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

**3.20 Borrowing costs**

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

(Amounts in Rs.'000)

### 3.21 Dividend and appropriation to reserves

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

### 3.22 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 | 2015 | 2014 |
|---|---|---|---|
| Operating assets | 4.1 | 4,525,441 | 4,594,433 |
| Capital work-in-progress | 4.3 | 1,807,855 | 1,260,336 |
| | | 6,333,296 | 5,854,769 |

# NOTES TO THE FINANCIAL STATEMENTS For the year ended June 30, 2015

## 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 (note 4.1.2) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold | Leasehold | On freehold land | On leasehold land | | | | | | | | | | |
| **As at July 01, 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 | - | (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) |
| Accumulated 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 | - | (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 |
| **Year ended June 30, 2015** | | | | | | | | | | | | | | |
| Opening 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 |
| Additions | - | - | 10,082 | 48,477 | - | 75,580 | 431,641 | 138,923 | 44,975 | 93,746 | 59,456 | - | 3,733 | 906,613 |
| Disposals | | | | | | | | | | | | | | |
| Cost | - | - | (53) | - | - | (7,057) | (41,647) | (9,370) | (2,499) | (8,004) | (11,839) | - | - | (80,469) |
| Accumulated Depreciation | - | - | 53 | - | - | 6,294 | 41,450 | 9,115 | 2,487 | 7,588 | 11,833 | - | - | 78,820 |
| | - | - | - | - | - | (763) | (197) | (255) | (12) | (416) | (6) | - | - | (1,649) |
| Depreciation charge | - | (1,705) | (22,496) | (53,016) | - | (65,504) | (469,877) | (194,591) | (16,705) | (103,412) | (42,880) | (382) | (3,388) | (973,956) |
| Net book value | 208,872 | 96,311 | 88,185 | 544,108 | - | 403,030 | 1,913,230 | 776,398 | 62,341 | 295,453 | 120,732 | 377 | 16,404 | 4,525,441 |
| **As at June 30, 2015** | | | | | | | | | | | | | | |
| Cost | 208,872 | 128,417 | 621,075 | 1,193,498 | 741 | 3,619,622 | 9,308,246 | 3,446,582 | 284,198 | 1,245,840 | 680,469 | 53,267 | 143,568 | 20,934,395 |
| Accumulated depreciation | - | (32,106) | (532,890) | (649,390) | (741) | (3,216,592) | (7,395,016) | (2,670,184) | (221,857) | (950,387) | (559,737) | (52,890) | (127,164) | (16,408,954) |
| Net book value | 208,872 | 96,311 | 88,185 | 544,108 | - | 403,030 | 1,913,230 | 776,398 | 62,341 | 295,453 | 120,732 | 377 | 16,404 | 4,525,441 |
| 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 | 2015 | 2014 |
|---|---|---|---|---|
| **4.1.1** | **Allocation of depreciation charge for the year** | | | |

Depreciation charge for the year has been allocated as follows:

| | Note | 2015 | 2014 |
|---|---|---|---|
| Distribution and marketing expenses | 28 | 900,472 | 973,702 |
| Administrative expenses | 29 | 73,484 | 63,667 |
| | | 973,956 | 1,037,369 |

**4.1.2** Service and filling stations include cost of Rs. 8,850,945 (2014: Rs. 8,466,309) 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 1,839 (2014: 1,778) out of the total 3,898 (2014: 3,805) retail filling station of dealers. In view of large number of dealers, it is 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 costing Rs. 143,567 (2014: Rs. 139,835) are also not in possession of the Company.

**4.1.3** Included in operating assets are assets which are fully depreciated having cost of Rs. 11,309,120 (2014: Rs. 9,934,043).

**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 | 900 | 345 | 555 | 86 | Tender | M/s National Technical Services. Suite # 1102, 11th Floor 74000, Chapal Plaza Hasrat Mohani Road Karachi |
| Tanks and pipelines | 171 | 2 | 169 | 50 | Tender | M/s National Technical Services. Suite # 1102, 11th Floor 74000, Chapal Plaza Hasrat Mohani Road Karachi |
| | 1,071 | 347 | 724 | 136 | | |
| Vehicles | 1,062 | 853 | 209 | 212 | Company Policy | Mr. S. K. Nehal Askari - Employee |
| Vehicles | 1,062 | 853 | 209 | 212 | Company Policy | Mr. Naseem Aftab - Employee |
| | 2,124 | 1,706 | 418 | 424 | | |
| Plant and machinery | 2,447 | 2,253 | 194 | 1 | Tender | M/s Umair Brothers Gulshan-e-Shujat Colony, Ismail Abad Multan. |
| Items having book value of less than Rupees 50 thousand each | 74,827 | 74,514 | 313 | 11,272 | | |
| **June 30, 2015** | 80,469 | 78,820 | 1,649 | 11,833 | | |
| June 30, 2014 | 139,257 | 133,952 | 5,305 | 12,068 | | |

(Amounts in Rs.'000)

### 4.3 Capital work-in-progress

| | 2015 | 2014 |
|---|---|---|
| Tanks and pipelines | 1,355,982 | 914,205 |
| Service and filling stations | 42,565 | 51,898 |
| Plant and machinery | 33,125 | 35,628 |
| Furniture, fittings and equipment | 8,284 | 29,071 |
| Advance to suppliers and contractors for tanks, pipelines and storage development projects | 8,953 | 29,290 |
| Capital spares | 358,946 | 200,244 |
| | 1,807,855 | 1,260,336 |

## 5. INTANGIBLES

### 5.1 Net carrying value

| | Note | 2015 | 2014 |
|---|---|---|---|
| Net book value at beginning of the year | | 48,407 | 30,068 |
| Additions at cost | | 32,842 | 35,405 |
| Disposal | | | |
| Cost | | - | (1,608) |
| Amortization | | - | 1,608 |
| | | - | - |
| Amortisation charge for the year | 5.4 & 29 | (26,907) | (17,066) |
| Net book value at end of the year | | 54,342 | 48,407 |

### 5.2 Gross carrying value

| | 2015 | 2014 |
|---|---|---|
| Cost | 378,610 | 345,768 |
| Accumulated amortization | (324,268) | (297,361) |
| Net book value | 54,342 | 48,407 |

**5.3** Intangibles represent ERP System - SAP, anti-virus softwares and other office related softwares.

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

(Amounts in Rs.'000)

| **6. LONG-TERM INVESTMENTS** | **Note** | **2015** | 2014 |
|---|---|---|---|
| **Investment in related parties (available-for-sale)** | | | |
| **In Government securities - Pakistan Investment Bonds** | 6.1 | 47,310,340 | 43,007,145 |
| **In an unquoted company - at cost** | | | |
| - Pak-Arab Pipeline Company Limited (Government related entity) | | | |
| Equity held 12% (2014: 12%) | | | |
| No. of shares: 8,640,000 (2014: 8,640,000) shares of Rs. 100 each | | 864,000 | 864,000 |
| | | 48,174,340 | 43,871,145 |
| **Investments in associates (equity method)** | | | |
| **In a quoted company** | | | |
| - Pakistan Refinery Limited | | | |
| Equity held 22.5% (2014: 18%) | 6.2 & 6.3 | 991,586 | 1,040,160 |
| Advance against right issue | 6.4 | 630,000 | - |
| **In unquoted companies** | 6.3 | | |
| - Asia Petroleum Limited (APL), Equity held 49% (2014: 49%) | | 810,798 | 805,730 |
| - Pak Grease Manufacturing Company (Private) Limited (PGMCL), Equity held 22% (2014: 22%) | | 74,228 | 72,333 |
| | | 885,026 | 878,063 |
| | | 50,680,952 | 45,789,368 |

**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 the proceeds received against partial settlement of circular debt then 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. They carry mark-up at the rate of 11.50% per annum which is receivable on six monthly basis. As at June 30, 2015 the carrying value [net of amortisation of premium amounting to Rs. 512,654 (2014: Rs. 518,508)] and fair value of these bonds were Rs. 44,872,095 (2014: Rs. 45,384,749) and Rs. 47,310,340 (2014: Rs. 43,007,145) respectively, accordingly unrealised gain on remeasurement to fair value amounting to Rs. 4,815,849 (2014: unrealised loss of Rs. 2,613,532) was recognised in other comprehensive income for the year ended June 30, 2015. As at June 30, 2015, these PIBs have been collateralised with various banks against borrowings facilities obtained by the Company.

**6.2** During the year, the Company acquired additional 1,575,000 ordinary shares in Pakistan Refinery Limited (PRL) at the rate of Rs.73.44 (USD 0.7143) per share in accordance with the Share Sale and Purchase Agreement with Chevron Global Energy Inc. dated March 17, 2014. These shares have been transferred in the name of the Company on January 31, 2015, thereby increasing the aggregate shareholding of the Company in PRL to 22.5% as at June 30, 2015 (June 30, 2014: 18%).

(Amounts in Rs.'000)

### 6.3 Investment in associates

| Number of shares 2015 | Number of shares 2014 | Face value per share (Rupees) | Name of the company | Note | 2015 | 2014 |
|---|---|---|---|---|---|---|
| 46,058,570 | 46,058,570 | 10 | Asia Petroleum Limited (APL) | 6.3.1 | 810,798 | 805,730 |
| 686,192 | 686,192 | 10 | Pak Grease Manufacturing Company (Private) Limited (PGMCL) | 6.3.1 | 74,228 | 72,333 |
| 7,875,000 | 6,300,000 | 10 | Pakistan Refinery Limited (PRL) | 6.3.1 | 991,586 | 1,040,160 |
| | | | | | 1,876,612 | 1,918,223 |

### 6.3.1 Movement of investment in associates

| | 2015 APL | 2015 PGMCL | 2015 PRL | 2015 Total | 2014 APL | 2014 PGMCL | 2014 PRL | 2014 Total |
|---|---|---|---|---|---|---|---|---|
| Balance at beginning of the year | 805,730 | 72,333 | 1,040,160 | 1,918,223 | 667,255 | 69,826 | - | 737,081 |
| Investment made during the year (note 6.2 ) | - | - | 115,675 | 115,675 | - | - | - | - |
| Transfer of investment from ' available for sale' to 'Investment in associate' | - | - | - | - | - | - | 1,040,160 | 1,040,160 |
| Share of profit / (loss) | | | | | | | | |
| - current year - unaudited | 511,712 | 15,019 | (146,384) | 380,347 | 530,683 | 10,894 | - | 541,577 |
| - adjustment for last year profits based on audited financial statements | (711) | (287) | - | (998) | - | (48) | - | (48) |
| | 511,001 | 14,732 | (146,384) | 379,349 | 530,683 | 10,846 | - | 541,529 |
| Unrealized loss on associates' investments (available-for-sale) - unaudited | - | (5,289) | (1,228) | (6,517) | - | (791) | - | (791) |
| Share of actuarial losses on remeasurement of post employment benefit plan of associate - unaudited, net | 711 | - | (16,637) | (15,926) | (711) | - | - | (711) |
| Dividend received | (506,644) | (7,548) | - | (514,192) | (391,497) | (7,548) | - | (399,045) |
| Balance at end of the year | 810,798 | 74,228 | 991,586 | 1,876,612 | 805,730 | 72,333 | 1,040,160 | 1,918,223 |

**6.3.2** The summarized financial information of the associates based on their un-audited financial statements for the year ended June 30, 2015 is as follows:

| | 2015 APL (Un-audited) | 2015 PGMCL (Un-audited) | 2015 PRL (Un-audited) | 2014 APL (Audited) | 2014 PGMCL (Audited) | 2014 PRL (Audited) |
|---|---|---|---|---|---|---|
| Total assets | 1,891,236 | 369,270 | 30,764,544 | 1,967,570 | 362,887 | 28,838,891 |
| Total liabilities | 236,546 | 31,874 | 29,059,176 | 323,225 | 34,940 | 28,270,154 |
| Revenues | 2,074,587 | 195,537 | 91,174,700 | 1,989,779 | 272,898 | 142,144,452 |
| Profit / (Loss) for the year | 1,044,313 | 68,265 | (1,366,089) | 1,081,577 | 48,212 | (863,913) |

**6.4** This represents advance paid to Pakistan Refinery Limited (PRL) against issue of 63 million right shares at the rate of Rs. 10 per share. The allotment/transfer of these shares in the name of the Company was made subsequent to year end on July 16, 2015.

(Amounts in Rs.'000)

## 7. LONG-TERM LOANS, ADVANCES AND RECEIVABLES

| | Note | 2015 | 2014 |
|---|---|---|---|
| **Loans - considered good (secured)** | | | |
| Executives | 7.1, 7.2 & 7.4 | 142,288 | 154,609 |
| Employees | 7.2 | 61,113 | 71,219 |
| | | 203,401 | 225,828 |
| Current portion shown under current assets | 13 | (73,359) | (87,756) |
| | | 130,042 | 138,072 |
| **Advances - considered good (unsecured)** | | | |
| Employees | 7.3 | 66,670 | 82,721 |
| Current portion shown under current assets | 13 | (30,680) | (36,632) |
| | | 35,990 | 46,089 |
| **Other receivables** | | | |
| - considered good | | 156,477 | 156,520 |
| - considered doubtful | | 8,143 | 8,143 |
| | | 164,620 | 164,663 |
| Provision for impairment | | (8,143) | (8,143) |
| | | 156,477 | 156,520 |
| | | 322,509 | 340,681 |

### 7.1 Reconciliation of carrying amount of loans to executives:

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of the year | 154,609 | 156,774 |
| Disbursements | 64,877 | 52,057 |
| Repayments | (77,198) | (54,222) |
| Balance at end of the year | 142,288 | 154,609 |

**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 instalments 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 employees.

**7.4** The maximum aggregate amount outstanding at the end of any month during the year in respect of loans to executives was Rs.143,319 (2014: Rs. 161,110).

(Amounts in Rs.'000)

## 8. LONG-TERM DEPOSITS AND PREPAYMENTS - Considered good

| | Note | 2015 | 2014 |
|---|---|---|---|
| Long-term deposits | 8.1 | 61,879 | 61,442 |
| Prepaid rentals | | 208,416 | 166,726 |
| Less: Current portion shown under current assets | 14 | (114,185) | (88,897) |
| | | 94,231 | 77,829 |
| | | 156,110 | 139,271 |

**8.1** This includes deposits amounting to Rs. 40,909 ( 2014: Rs. 52,646 ) paid to related parties.

## 9. DEFERRED TAX

| | 2015 | 2014 |
|---|---|---|
| Deductible temporary differences in respect of: | | |
| Provision for: | | |
| - retirement and other service benefits | 856,089 | 765,245 |
| - doubtful trade debts | 1,448,177 | 948,429 |
| - doubtful other receivables | 496,159 | 453,131 |
| - impairment of stores and spares | 11,488 | 8,047 |
| - excise, taxes and other duties | 23,306 | 24,035 |
| - impairment of stock-in-trade | 6,866 | 7,080 |
| - tax amortisation | 707 | 567 |
| Liabilities offered for taxation | 6,311,478 | 3,906,263 |
| Unrealized loss due to change in fair value of long-term securities available-for-sale | - | 784,624 |
| Others | 2,606 | 2,685 |
| | 9,156,876 | 6,900,106 |
| Taxable temporary differences in respect of: | | |
| Accelerated tax depreciation | (332,876) | (395,663) |
| Investments in associates accounted for under equity method | (32,463) | (40,035) |
| Unrealised gain due to change in fair value of long-term securities available-for-sale | (780,224) | - |
| | (1,145,563) | (435,698) |
| | 8,011,313 | 6,464,408 |

The net change of Rs. 1,546,905 (2014: Rs. 3,172,333) in the deferred tax asset for the year has been recognised as follows:

| | 2015 | 2014 |
|---|---|---|
| - Profit and loss account | 3,086,180 | 2,761,654 |
| - Other comprehensive income | (1,539,275) | 410,679 |
| | 1,546,905 | 3,172,333 |

(Amounts in Rs.'000)

| | Note | 2015 | 2014 |
|---|---|---|---|
| **10. STORES, SPARES AND LOOSE TOOLS** | | | |
| Stores | | 228,976 | 200,897 |
| Spares and loose tools | | 14,616 | 12,823 |
| | | 243,592 | 213,720 |
| Less: Provision for impairment | | (35,899) | (24,385) |
| | | 207,693 | 189,335 |
| **11. STOCK-IN-TRADE** | | | |
| Petroleum and other products (gross) | 11.1 | 35,603,950 | 50,775,865 |
| Less: Stock held on behalf of third parties | 11.2 | (2,433,626) | (2,089,649) |
| | | 33,170,324 | 48,686,216 |
| Less: Provision for slow moving products and write down to net realisable value | 11.3 | (30,464) | (21,456) |
| | | 33,139,860 | 48,664,760 |
| In pipeline system of Pak-Arab Pipeline Company Limited and Pak-Arab Refinery Limited | | 19,662,617 | 31,842,549 |
| | | 52,802,477 | 80,507,309 |
| Add: Charges incurred thereon | | 5,689,824 | 5,789,909 |
| | | 58,492,301 | 86,297,218 |

**11.1** Includes stock-in-transit amounting to Rs. 12,991,920 (2014: Rs. 18,213,932) and stocks held by:

| | 2015 | 2014 |
|---|---|---|
| Pakistan Refinery Limited - associated undertaking | 107,529 | 107,529 |
| Shell Pakistan Limited | 304,636 | 401,560 |
| Byco Petroleum Pakistan Limited | 3,049 | 4,333 |
| | 415,214 | 513,422 |

**11.2** Represents stock held-in-trust on behalf of third parties, net of storage, handling and other charges amounting to Rs. 23,730 (2014: Rs. 23,730) recoverable there against .This also includes stock held on behalf of related parties amounting to Rs. 16,171 (2014: Rs. 22,990).

**11.3** In view of declining prices of oil products, the Company has recognised write-down of inventory to net realisable value amounting to Rs. 9,008 (2014: Nil).

(Amounts in Rs.'000)

## 12. TRADE DEBTS

| | Note | 2015 | 2014 |
|---|---|---|---|
| Considered good | | | |
| *- Due from Government agencies and autonomous bodies* | | | |
| - Secured | 12.1 | 29,403 | 46,939 |
| - Unsecured | 12.2 & 12.4 | 126,899,094 | 108,346,538 |
| | | 126,928,497 | 108,393,477 |
| *- Due from other customers* | | | |
| - Secured | 12.1 | 748,052 | 870,677 |
| - Unsecured | 12.2 & 12.4 | 53,101,749 | 66,122,014 |
| | | 53,849,801 | 66,992,691 |
| | | 180,778,298 | 175,386,168 |
| Considered doubtful | | 4,525,553 | 2,874,026 |
| Trade debt - gross | | 185,303,851 | 178,260,194 |
| Provision for impairment | 12.2, 12.3 & 12.4 | (4,525,553) | (2,874,026) |
| Trade debt - net | | 180,778,298 | 175,386,168 |

**12.1** These debts are secured by way of security deposits and bank guarantees.

**12.2** Included in trade debts is an aggregate amount of Rs. 148,020,543 (2014: Rs. 145,426,387) due from Water and Power Development Authority (WAPDA), Hub Power Company Limited (HUBCO) and Kot Addu Power Company Limited (KAPCO), as at June 30, 2015. These include overdue debts of Rs. 93,466,658 ( 2014: Rs. 78,503,696 ), Rs. 30,372,233 (2014: Rs. 36,397,938) and Rs. 6,491,532 (2014: Rs. 7,203,084 ) from WAPDA, HUBCO & KAPCO, respectively, based on the agreed credit terms.

However, based on the Company's provisioning policy, receivables of Rs. 41,234,990 (2014: Rs. 5,494,450) and Rs. 10,555,849 (2014: Rs. 9,960,467) from WAPDA & HUBCO, respectively, are past due out of the aforementioned overdue balances. The Company carries a specific provision of Rs. 610,544 ( 2014: Rs. 551,575) against these debts and did not consider the remaining aggregate past due balance as at June 30, 2015 of Rs. 51,180,295 (against which subsequent receipts of Rs. 21,346,000 from WAPDA and Rs. 10,555,849 from HUBCO have been made), as doubtful, as the Company based on measures undertaken by the GoP is confident that the aforementioned debts will be received in due course of time.

Further, as at June 30, 2015 against the remaining trade debts aggregating Rs. 9,554,856 (2014: Rs. 2,495,216), which were past due, the Company carries a provision of Rs. 3,915,009 (2014: Rs. 2,322,451). The impaired debts relate to various customers which are facing difficult economic conditions.

The Company monitors risk profile of the customers considering ageing of existing balances and past payment history and makes appropriate provision against impaired debts based on time based criteria and other specific factors relevant to the customers.

The ageing of these past due trade debts is as follows:

| | 2015 | 2014 |
|---|---|---|
| 3 to 6 months | 51,691 | 29,034 |
| More than 6 months | 9,503,165 | 2,466,182 |
| | 9,554,856 | 2,495,216 |

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

(Amounts in Rs.'000)

| | Note | 2015 | 2014 |
|---|---|---|---|
| **12.3** The movement in provision during the year is as follows: | | | |
| Balance at beginning of the year | | 2,874,026 | 2,779,934 |
| Add: Provision recognised during the year | | 2,053,837 | 646,188 |
| Less: Reversal due to recoveries during the year | | (402,310) | (552,096) |
| | 30 | 1,651,527 | 94,092 |
| Balance at end of the year | | 4,525,553 | 2,874,026 |

**12.3.1** The provision has been recognised on impaired trade debts as follows:

| | 2015 | 2014 |
|---|---|---|
| 3 to 6 months | 15,921 | 11,975 |
| 6 months to 1 year | 1,866,943 | 42,185 |
| 1 year to 2 years | 69,346 | 190,560 |
| More than 2 years | 2,573,343 | 2,629,306 |
| | 4,525,553 | 2,874,026 |

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

| | 2015 | | | 2014 |
|---|---|---|---|---|
| | Up to 6 months | More than 6 months (Past Due) | Total | |
| Water and Power Development Authority | 64,965,615 | 41,234,990 | 106,200,605 | 97,912,546 |
| K-Electric Limited | 4,000,682 | - | 4,000,682 | 5,243,147 |
| Kot Addu Power Company Limited | 6,491,532 | - | 6,491,532 | 7,203,084 |
| Pakistan International Airlines Corporation | 5,909,429 | 7,293,431 | 13,202,860 | 7,860,784 |
| Pakistan Railways | 936,223 | - | 936,223 | 951,766 |
| National Logistic Cell | 257,504 | 57,831 | 315,335 | 328,106 |
| Oil & Gas Development Corporation Limited | 336,366 | 986 | 337,352 | 388,464 |
| Pakistan Steel Mills Corporation Limited | 46,356 | - | 46,356 | 18,751 |
| Director General Agriculture | - | - | - | 2,193 |
| Pakistan Petroleum Limited | 26,106 | 1,526 | 27,632 | 20,569 |
| Frontier Works Organization | 463 | - | 463 | 156 |
| Pakistan National Shipping Corporation | - | 2,021 | 2,021 | 2,021 |
| Sui Southern Gas Company Limited | - | - | - | 2,471 |
| Civil Aviation Authority | 657 | - | 657 | 542 |
| | 82,970,933 | 48,590,785 | 131,561,718 | 119,934,600 |
| Less: Provision for impairment (note 12.4.1) | | | (2,493,622) | (604,928) |
| Net receivable from related parties | | | 129,068,096 | 119,329,672 |

**12.4.1** The movement in provision during the year is as follows:

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of the year | 604,928 | 706,465 |
| Add : Provision recognised during the year | 1,888,694 | 2,874 |
| Less : Reversals due to recoveries during the year | - | (104,411) |
| | 1,888,694 | (101,537) |
| Balance at end of the year | 2,493,622 | 604,928 |

(Amounts in Rs.'000)

## 13. LOANS AND ADVANCES - considered good

| | Note | 2015 | 2014 |
|---|---|---|---|
| **Secured** | | | |
| Loan to executives and employees | | | |
| - Current portion of long-term loans including Rs. 77,245 (2014: Rs. 96,331) to executives | 7 | 104,039 | 124,388 |
| - Short term loans | | 32,515 | 29,750 |
| | | 136,554 | 154,138 |
| Advance against shares Sale & Purchase Agreement (SPA) | 13.1 | 1,680,000 | - |
| **Unsecured** | | | |
| Advances to suppliers | 13.2 | 99,802 | 121,203 |
| Advances for Company-owned filling stations | | 218,809 | 215,470 |
| | | 318,611 | 336,673 |
| | | 2,135,165 | 490,811 |

**13.1** This represents advance paid against purchase of 84 million shares of PRL at the rate of Rs. 20 per share, equivalent to 26.66% shareholding in PRL in accordance with the SPA dated June 16, 2015 entered into between the Company and The Shell Petroleum Company Limited (Shell).In accordance with SPA, the Company paid Rs. 840,000 to PRL on June 16, 2015 and deposited the remaining Rs.840,000 in the 'Escrow Account' maintained with the Standard Chartered Bank Pakistan Limited.

Subsequent to the year end 84 million shares have been allotted by PRL in the name of Shell. Transfer of such shares from Shell in the name of the Company is subject to fulfilment of certain conditions as specified in SPA, which includes approval of the transaction from the Competition Commission of Pakistan and refusal of right of pre-emption on 21 million shares by Chevron Global Energy Inc. (Chevron) under the PRL's Shareholders' Agreement, 1970.

**13.2** Includes advances of Rs. 60,001 (2014: Rs. 60,001) to Pak Arab Refinery Company Limited, a related party, against purchase of Liquefied Petroleum Gas (LPG).

## 14. DEPOSITS AND SHORT TERM PREPAYMENTS

| | Note | 2015 | 2014 |
|---|---|---|---|
| **Deposits** | | | |
| Duty and development surcharge | | 1,691,777 | 2,341,775 |
| Deposits against court orders | | 53,006 | 53,006 |
| | | 1,744,783 | 2,394,781 |
| **Prepayments** | | | |
| Rentals and others | | 44,392 | 27,651 |
| Current portion of long-term prepaid rentals | 8 | 114,185 | 88,897 |
| | | 158,577 | 116,548 |
| | | 1,903,360 | 2,511,329 |

(Amounts in Rs.'000)

## 15. OTHER RECEIVABLES - unsecured

| | Note | 2015 | 2014 |
|---|---|---|---|
| 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 (HSD) | 15.2 | 602,603 | 602,603 |
| - 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 | 9,297,419 |
| - Excise, Petroleum Levy, customs and regulatory duty | 15.5 | 711,506 | 268,018 |
| - Sales tax refundable | | 2,321,013 | 867,935 |
| | | 12,329,938 | 10,433,372 |
| Less: Provision for impairment | 15.6 | (83,112) | (83,112) |
| | | 12,246,826 | 10,350,260 |
| Handling and hospitality charges | | 891,219 | 895,747 |
| Product claims - Insurance and others - considered doubtful | | 90,201 | 90,201 |
| Less: Provision for impairment | 15.6 | (90,201) | (90,201) |
| | | - | - |
| Receivables from Oil Marketing Companies | | - | 3,593,285 |
| Inland Freight Equalization Margin (IFEM) including freight equalization receivable from GoP (related party) | | 3,662,475 | 3,880,242 |
| Others | | | |
| - considered good | 15.7 | 2,749,661 | 2,388,461 |
| - considered doubtful | | 1,377,184 | 1,199,810 |
| | | 4,126,845 | 3,588,271 |
| Less: Provision for impairment | 15.6 | (1,377,184) | (1,199,810) |
| | | 2,749,661 | 2,388,461 |
| | | 19,550,181 | 21,107,995 |

(Amounts in Rs.'000)

**15.1 Import price differential on motor gasoline**

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 OMCs continued to import motor gasoline on behalf of the industry being confident that price differential on motor gasoline will be settled as per previous practice i.e. based on the differential between ex-refinery and import cost at the time of filing of cargo with Customs, as imports were being made on MoP&NR's instruction.

The Company continued to follow up this matter with MoP&NR for an early settlement of these claims and the concerned ministry confirmed vide its letter No. 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 was to 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 No. 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 it in budgetary allocation.

Last 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 submitted the said claim in its Budget estimates for 2014-15, on account of price differential claims, submitted to MoF for provision in Federal Budget 2014-15.

During the year, the Company again wrote a letter dated January 26, 2015 to Directorate General (Oil) MoP&NR, requesting for the inclusion of said claim in the Federal Budget 2015-16, however, the said claim was not included in Federal Budget 2015-16. Further, in response to confirmation request sent by the Company, MoP&NR vide its letter dated August 18, 2015 informed that the said claim will be processed after completion of a special audit. The Company is actively pursuing this matter with GoP through MoP&NR and is confident to recover the amount in due course of time.

**15.2 Price differential claims (PDC) relating to certain HSD products**

This represent the balance of Price differential claims (PDC) due from GoP. These claims have arisen on 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 dividend payable to GoP. Accordingly, the Company adjusted entire amount of Rs. 514,600 out of dividend paid subsequent to that direction.

Last 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 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 and submitted it to MoF for provision in Federal Budget.

During the year, the Company again wrote a letter dated January 26, 2015 to Directorate General (Oil) MoP&NR, requesting for the inclusion of said claim in the Federal Budget 2015-16, however, the said claim was not included in Federal Budget 2015-16. Further, in response to confirmation request sent by the Company, MoP&NR vide its letter dated August 18, 2015 informed that the said claim will be processed after completion of a special audit. The Company is actively pursuing this matter with GoP through MoP&NR and is confident to recover the amount in due course of time.

**15.3 Price differential claim on account of supply of furnace oil to K-Electric Limited (KEL) at Natural Gas prices**

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 K-Electric Limited (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 was to be borne by GoP and reimbursed directly to the Company by MoF. 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 also requested MoF to process the claim of the Company at the earliest. In prior year, 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. 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, but the said amount was not included in said Budget 2014-15.

During the year, the Company vide its letter No. PDC/96/13/001 dated January 27, 2015 requested MoW&P to take up the matter with MoF to settle the claim. MoW&P vide its letter No. PF-5(13)/2012 dated March 9, 2015 referred the matter to MoF. The Company is fully confident to recover the amount in due course of time as the said claim is being consistently followed up with concerned Ministries.

**15.4 Price differential between the products Low Sulphur Furnace Oil (LSFO) and High Sulphur Furnace Oil (HSFO)**

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

(Amounts in Rs.'000)

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 the Company 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 requested the MoF to make a provision of the said amount in the Federal Budget 2013-2014.

Last 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 claim. 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 also issued a letter dated June 20, 2014 to MoW&P on this claim for further recommendation to MoF for budgetary provision.

During the year, the Company vide its letter No. PDC/96/13/001 dated January 27, 2015 requested MoW&P to take up the matter with MoF to settle the claim. MoW&P vide its letter No. PF-5(13)/2012 dated March 9, 2015 sought certain clarifications regarding the claim. The Company vide its letter No. PDC/96/15/001 dated March 31, 2015 replied to the clarification sought by MoW&P and requested for inclusion of the said claim in Federal Budget 2015-2016, however the said claim was not included in the Federal Budget 2015-16. The Company is fully confident to recover the amount in due course of time as the said claim is being consistently followed up with concerned Ministries.

**15.5** This includes receivable in respect of regulatory duty imposed by the Ministry of Finance - GoP through SRO 392(I)/2015 dated April 30, 2015 on import of high speed diesel and motor gasoline. Under the product pricing formula, the Oil Marketing Companies (OMCs) were required to recover similar cost elements and duties from customers on sale of petroleum products through prices notified on monthly basis. Since the notification of regulatory duty was received on May 4, 2015, the impact of the regulatory duty could not be incorporated in the prices effective from May 1, 2015, which were announced on April 30, 2015. Therefore, the recovery of regulatory duty was to be made through subsequent month's prices of petroleum products. However, through SRO 603(I)/2015 dated June 30, 2015, the regulatory duty has been rescinded resulting in a receivable balance of regulatory duty amounting to Rs. 443,488. The Company is currently engaged with the MoP&NR and is actively pursuing recovery thereagainst. MoP&NR, in accordance with the decision of Economic Coordination Committee (ECC) dated July 10, 2015, has requested Oil and Gas Regulatory Authority (OGRA) to develop a comprehensive recovery mechanism of regulatory duty based on the principle that there should be no gain or loss to OMCs.

**15.6** As at June 30, 2015 receivables aggregating to Rs. 1,550,497 (2014: Rs. 1,373,123) were deemed to be impaired and have been provided for. The breakup of provision thereagainst is as follows:

(Amounts in Rs.'000)

| | Note | 2015 | 2014 |
|---|---|---|---|
| Provision against receivable from GoP | | 83,112 | 83,112 |
| Provision against product claims | | 90,201 | 90,201 |
| Provision against other receivables | | 1,377,184 | 1,199,810 |
| | | 1,550,497 | 1,373,123 |

The movement in provision for impairment is as follows:

| | Note | 2015 | 2014 |
|---|---|---|---|
| Balance at beginning of the year | | 1,373,123 | 1,156,645 |
| Add: Provision made during the year | 30 | 177,374 | 216,478 |
| | | 1,550,497 | 1,373,123 |

**15.7** Includes receivables of Rs. 30,881 (2014: Rs. 30,650) on account of facility charges due from Asia Petroleum Limited (a related party).

**15.8** As at June 30, 2015, receivables other than freight equalization, petroleum levy, custom duty and sales tax refundable aggregating Rs. 12,938,299 (2014: Rs. 16,174,912) were past due but not impaired. The ageing of these receivables is as follows:

| | Note | 2015 | 2014 |
|---|---|---|---|
| Up to 3 months | | 523,789 | 3,896,942 |
| 3 to 6 months | | 100,471 | 410,020 |
| More than 6 months | | 12,314,039 | 11,867,950 |
| | | 12,938,299 | 16,174,912 |

## 16. CASH AND BANK BALANCES

| | Note | 2015 | 2014 |
|---|---|---|---|
| Cash in hand | | 9,273 | 9,335 |
| Cash at bank on: | | | |
| - current accounts | 16.1 | 2,301,489 | 4,223,243 |
| - profit and loss sharing accounts | 16.2 | 1,122 | 16,373,931 |
| | | 2,302,611 | 20,597,174 |
| | | 2,311,884 | 20,606,509 |

**16.1** Includes Rs.1,169,405 (2014: Rs.1,164,000) kept in a separate bank account in respect of security deposits received from the customers.

**16.2** These balances carry mark-up ranging from 4.5% to 7% (2014: 7% to 8.6%) per annum.

## 17. NET ASSETS IN BANGLADESH

| | 2015 | 2014 |
|---|---|---|
| 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.

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

(Amounts in Rs.'000)

## 18. SHARE CAPITAL

### 18.1 Authorized capital

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| (Number of shares) | | | | |
| 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

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| (Number of shares) | | | | |
| 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 | 260,991,270 | Ordinary shares of Rs. 10 each issued as bonus shares | 2,609,915 | 2,609,915 |
| 271,685,939 | 271,685,939 | | 2,716,860 | 2,716,860 |

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

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| (Number of shares) | | | | |
| 271,685,939 | 246,987,217 | At beginning of the year | 2,716,860 | 2,469,872 |
| - | 24,698,722 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | - | 246,988 |
| 271,685,939 | 271,685,939 | At end of the year | 2,716,860 | 2,716,860 |

**18.4** These fully paid ordinary shares carry one vote per share and rights to dividend.

## 19. RESERVES

| | Note | 2015 | 2014 |
|---|---|---|---|
| **Capital reserves** | | | |
| Surplus on vesting of net assets | 19.1 | 3,373 | 3,373 |
| **Revenue reserves** | | | |
| Unrealised gain / (loss) on remeasurment of long-term available for sale investments - net of tax | | 1,658,020 | (1,592,980) |
| Company's share of unrealised gain on remeasurement of available-for-sale investments of associates | | 566 | 7,083 |
| General reserve | | 25,282,373 | 25,282,373 |
| Unappropriated profit | | 52,649,104 | 52,204,448 |
| | | 79,590,063 | 75,900,924 |
| | | 79,593,436 | 75,904,297 |

**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.

(Amounts in Rs.'000)

## 20. RETIREMENT AND OTHER SERVICE BENEFITS

| | Note | 2015 | 2014 |
|---|---|---|---|
| Gratuity | 20.2 | 1,259,472 | 1,133,610 |
| Pension | 20.2 | 4,207,661 | 1,731,074 |
| Medical benefits | 20.2 | 2,415,925 | 2,015,823 |
| Compensated absences | | 437,706 | 303,102 |
| | | 8,320,764 | 5,183,609 |

**20.1** The details of employee retirement and other service benefit obligations based on actuarial valuations carried out by an independent actuary as at June 30, 2015 under the Projected Unit Credit Method are as follows:

**20.2 Balance sheet reconciliation**

| | Note | Gratuity fund 2015 | Gratuity fund 2014 | Pension funds 2015 | Pension funds 2014 | Medical benefits 2015 | Medical benefits 2014 |
|---|---|---|---|---|---|---|---|
| Present value of defined benefit obligations | 20.2.1 | 5,809,804 | 3,951,877 | 12,928,359 | 7,800,697 | 2,415,925 | 2,015,823 |
| Fair value of plan assets | 20.2.2 | (4,550,332) | (2,818,267) | (8,720,698) | (6,069,623) | - | - |
| Net liability at end of the year | 20.2.6 | 1,259,472 | 1,133,610 | 4,207,661 | 1,731,074 | 2,415,925 | 2,015,823 |

**20.2.1 Movement in present value of defined benefit obligations**

| | Gratuity fund 2015 | Gratuity fund 2014 | Pension funds 2015 | Pension funds 2014 | Medical benefits 2015 | Medical benefits 2014 |
|---|---|---|---|---|---|---|
| Present value of defined benefit obligations at beginning of the year | 3,951,877 | 3,172,309 | 7,800,697 | 6,268,180 | 2,015,823 | 1,404,519 |
| Current service cost | 225,176 | 167,785 | 231,631 | 185,209 | 44,686 | 38,258 |
| Interest cost | 508,792 | 345,510 | 1,010,983 | 687,234 | 261,112 | 153,844 |
| Benefits paid during the year | (94,088) | (134,784) | (296,624) | (239,907) | (47,640) | (51,857) |
| Remeasurement: Actuarial loss | 1,218,047 | 401,057 | 4,181,672 | 899,981 | 141,944 | 471,059 |
| Present value of defined benefit obligations at end of the year | 5,809,804 | 3,951,877 | 12,928,359 | 7,800,697 | 2,415,925 | 2,015,823 |

**20.2.2 Movement in fair value of plan assets**

| | Gratuity fund 2015 | Gratuity fund 2014 | Pension funds 2015 | Pension funds 2014 |
|---|---|---|---|---|
| Fair value of plan assets at beginning of the year | 2,818,267 | 2,204,324 | 6,069,623 | 4,586,850 |
| Expected return on plan assets | 362,315 | 235,383 | 789,788 | 506,010 |
| Contributions made by the Company | 1,503,061 | 548,085 | 2,155,616 | 933,697 |
| Benefits paid during the year | (94,088) | (134,784) | (296,624) | (239,907) |
| Remeasurement: Actuarial (loss) / gain | (39,223) | (34,741) | 2,295 | 282,973 |
| Fair value of plan assets at end of the year | 4,550,332 | 2,818,267 | 8,720,698 | 6,069,623 |

**20.2.3 Expense recognized in profit and loss account**

| | Gratuity fund 2015 | Gratuity fund 2014 | Pension funds 2015 | Pension funds 2014 | Medical benefits 2015 | Medical benefits 2014 |
|---|---|---|---|---|---|---|
| Current service cost | 225,176 | 167,785 | 231,631 | 185,209 | 44,686 | 38,258 |
| Net interest expense | 146,477 | 110,127 | 221,195 | 181,224 | 261,112 | 153,844 |
| Expense for the year | 371,653 | 277,912 | 452,826 | 366,433 | 305,798 | 192,102 |

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

| | Gratuity fund 2015 | Gratuity fund 2014 | Pension funds 2015 | Pension funds 2014 | Medical benefits 2015 | Medical benefits 2014 |
|---|---|---|---|---|---|---|
| Actuarial losses on defined benefit obligation (note 20.2.5) | 1,218,047 | 401,057 | 4,181,672 | 899,981 | 141,944 | 471,059 |
| Remeasurement of fair value of plan assets | 39,223 | 34,741 | (2,295) | (282,973) | - | - |
| Remeasurement losses | 1,257,270 | 435,798 | 4,179,377 | 617,008 | 141,944 | 471,059 |

(Amounts in Rs.'000)

**20.2.5 The actuarial losses / (gains) occurred on account of the following:**

| | Gratuity fund 2015 | Gratuity fund 2014 | Pension funds 2015 | Pension funds 2014 | Medical benefits 2015 | Medical benefits 2014 |
|---|---|---|---|---|---|---|
| - Financial assumptions | 1,059,544 | 37,830 | 3,237,139 | 48,768 | 48,318 | 608,199 |
| - Experience adjustments | - | 314,009 | 944,533 | 29,673 | - | (630,483) |
| - Demographic assumptions | 158,503 | 49,218 | - | 821,540 | 93,626 | 493,343 |
| | 1,218,047 | 401,057 | 4,181,672 | 899,981 | 141,944 | 471,059 |

**20.2.6 Net recognised liability**

| | Gratuity fund 2015 | Gratuity fund 2014 | Pension funds 2015 | Pension funds 2014 | Medical benefits 2015 | Medical benefits 2014 |
|---|---|---|---|---|---|---|
| Net liability at beginning of the year | 1,133,610 | 967,985 | 1,731,074 | 1,681,330 | 2,015,823 | 1,404,519 |
| Expense recognised in profit and loss account | 371,653 | 277,912 | 452,826 | 366,433 | 305,798 | 192,102 |
| Contributions during the year | (1,503,061) | (548,085) | (2,155,616) | (933,697) | (47,640) | (51,857) |
| Remeasurement losses recognised in other comprehensive income | 1,257,270 | 435,798 | 4,179,377 | 617,008 | 141,944 | 471,059 |
| Net liability at end of the year | 1,259,472 | 1,133,610 | 4,207,661 | 1,731,074 | 2,415,925 | 2,015,823 |

**20.3 Plan assets comprise of following**

| | Gratuity fund 2015 | Gratuity fund 2014 | Pension funds 2015 | Pension funds 2014 |
|---|---|---|---|---|
| Special Savings Certificates | 2,986,472 | 1,318,393 | 4,870,888 | 1,591,341 |
| Term Finance Receipts | 1,000,000 | - | 1,300,000 | - |
| Mutual Funds | 270,866 | 213,414 | 820,042 | 643,078 |
| Pakistan Investment Bonds | 181,125 | 654,041 | 806,796 | 2,078,666 |
| Quoted Shares | - | - | 725,819 | 671,890 |
| Term Finance Certificates | 69,145 | 90,100 | 95,077 | 109,595 |
| Accrued income | 25,847 | - | 51,133 | - |
| Cash and cash equivalents, net of liabilities | 14,715 | 542,319 | 50,943 | 975,053 |
| Other receivables | 2,162 | - | - | - |
| Fair value of plan assets at end of the year | 4,550,332 | 2,818,267 | 8,720,698 | 6,069,623 |

**20.3.1** Plan assets include Company's ordinary shares with a fair value of Rs. 172,987 (2014: Rs. 168,332).

**20.4** The principal assumptions used in the actuarial valuations carried out as of June 30, 2015, using the 'Projected Unit Credit' method, are as follows:

| | Gratuity fund 2015 | Gratuity fund 2014 | Pension funds 2015 | Pension funds 2014 | Medical benefits 2015 | Medical benefits 2014 | Compensated absences 2015 | Compensated absences 2014 |
|---|---|---|---|---|---|---|---|---|
| Discount rate per annum (%) | 10.00 | 13.00 | 10.00 | 13.00 | 10.00 | 13.00 | 10.00 | 13.00 |
| Expected per annum rate of return on plan assets (%) | 10.00 | 13.00 | 10.00 | 13.00 | - | - | - | - |
| Expected per annum rate of increase in future salaries (%) | 12.00 | 12.50 | 12.00 | 12.50 | - | - | 12.00 | 12.50 |
| Expected per annum rate of increase in medical costs (%): | | | | | | | | |
| - active employees | - | - | - | - | 8.00 | 10.78 | - | - |
| - pensioners | - | - | - | - | 10.00 | 13.00 | - | - |
| Indexation of pension (%) | - | - | 5.00 | 6.10 | - | - | - | - |
| Expected mortality rate | SLIC (2001-05) Ultimate Mortality table | SLIC (2001-05) Ultimate Mortality table | SLIC (2001-05) Ultimate Mortality table | SLIC (2001-05) Ultimate Mortality table | SLIC (2001-05) Ultimate Mortality table | SLIC (2001-05) Ultimate Mortality table | SLIC (2001-05) Ultimate Mortality table | SLIC (2001-05) Ultimate 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 from 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 risks has not been changed from previous periods. Investments are well diversified and a large portion of Plan assets in 2015 consist of Special Saving Certificates and 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 reporting date. Expected return on equity investments reflect long-term real rates of return experienced in the market. The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the funds, at the beginning of the year.

**20.5.2** Expected contributions to gratuity fund and pension funds for the year ending June 30, 2016 are Rs. 243,148 and Rs. 653,843 (2015: Rs. 371,653 and Rs. 452,826), 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) | 5,341,902 | 11,200,876 | 2,093,454 |
| Discount rate (1% decrease) | 6,349,304 | 15,104,401 | 2,820,381 |
| Future salary increase rate (1% increase) | 6,361,539 | 13,768,939 | - |
| Future salary increase rate (1% decrease) | 5,322,535 | 12,058,447 | - |
| Future pension increase rate (1% increase) | - | 14,229,193 | - |
| Future pension increase rate (1% decrease) | - | 11,796,569 | - |
| Medical cost trend rate (1% increase) | - | - | 2,815,133 |
| Medical cost trend rate (1% decrease) | - | - | 3,264,900 |

If longevity increases by 1 year, obligation increases by Rs. 441,685.

(Amounts in Rs.'000)

The sensitivity analysis is 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 i.e. present value of defined benefit obligation calculated using projected unit credit method has been applied. There has been no change in assumptions and methods used in preparing the sensivity analysis from prior year.

**20.7 Maturity profile**

The expected maturity analysis of undiscounted retirement benefit plans is:

| | Gratuity fund | Pension funds | Medical benefits |
|---|---|---|---|
| Less than a year | 323,641 | 409,582 | 50,377 |
| Between 1-2 years | 334,664 | 474,995 | 58,844 |
| Between 2-3 years | 300,264 | 559,007 | 67,861 |
| Between 3-4 years | 362,844 | 665,240 | 78,651 |
| Between 4-5 years | 520,069 | 782,035 | 91,138 |
| Between 5-10 years | 3,263,689 | 6,299,932 | 671,247 |
| Weighted average duration (years) | 15.10 | 8.70 | 15.00 |

## 21. TRADE AND OTHER PAYABLES

| | Note | 2015 | 2014 |
|---|---|---|---|
| Creditors for: | | | |
| Purchase of oil | | | |
| - local | 21.1&21.2 | 20,233,078 | 15,417,942 |
| - foreign | 21.1 | 61,552,639 | 113,148,733 |
| | | 81,785,717 | 128,566,675 |
| Others | 21.3 | 3,723,747 | 2,213,276 |
| | | 85,509,464 | 130,779,951 |
| Security deposits | 21.4 | 2,541,741 | 2,338,484 |
| Accrued expenses and other liabilities | 21.5 & 21.6 | 46,331,893 | 47,325,870 |
| Due to oil marketing companies and refineries | | 812,530 | 310,624 |
| Advances | | | |
| - from customers | | 3,891,528 | 5,093,918 |
| - against equipments | | 1,883 | 1,898 |
| | | 3,893,411 | 5,095,816 |
| Taxes and other government dues | | | |
| - Excise, taxes and other duties | | 5,760,690 | 4,742,732 |
| - Octroi | | 31,590 | 31,590 |
| - Income tax deducted at source | | 95,561 | 90,218 |
| | | 5,887,841 | 4,864,540 |
| Workers' profits participation fund | 21.7 | 183,264 | 1,748,278 |
| Workers' welfare fund | | 392,811 | 805,258 |
| Unclaimed dividends | | 1,445,918 | 693,613 |
| Others | | 46,380 | 46,046 |
| | | 147,045,253 | 194,008,480 |

**21.1** The average credit period on imports from international suppliers ranges between 30 to 60 days and are secured against letters of credit. On local purchases, the Company is availing a credit period of around 15 days.

(Amounts in Rs.'000)

| | 2015 | 2014 |
|---|---|---|
| **21.2** This includes payables to following related parties: | | |
| Pak Arab Refinery Limited | 5,970,726 | 7,528,754 |
| Pakistan Refinery Limited - an associated undertaking | 1,741,899 | 467,654 |
| Pak Grease Manufacturing Company (Private) Limited - an associated undertaking | 15,274 | - |
| | 7,727,899 | 7,996,408 |

**21.3** Includes Rs. 1,124,840 (2014: Rs. 693,617) payable to Pakistan National Shipping Corporation, a related party, on account of freight and demurrage charges.

| | Note | 2015 | 2014 |
|---|---|---|---|
| **21.4 Security deposits** | | | |
| Dealers | 21.4.1 | 638,515 | 594,382 |
| Equipment | 21.4.2 | 197,886 | 193,012 |
| Cartage contractors | 21.4.3 | 613,829 | 586,964 |
| Card holders | 21.4.4 | 780,499 | 658,749 |
| Suppliers | 21.4.4 | 234,494 | 234,183 |
| Others | 21.4.4 | 76,518 | 71,194 |
| | | 2,541,741 | 2,338,484 |

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

**21.4.2** These represent interest-free deposits from customers against Liquefied Petroleum Gas (LPG) equipment. These deposits are refundable on the return of equipments and are payable on demand.

**21.4.3** These represent deposits from contractors against the cartage contracts for transportation of petroleum products. These deposits are refundable on cancellation of these contracts.

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

**21.5** Includes amount due to various related parties on account of insurance premium, late payment surcharge and pipeline charges aggregating to Rs. 16,553,614 (2014: Rs. 16,311,070).

**21.6** Includes favourable exchange difference of Rs. 2,506,217 (2014: Rs. 2,880,758) arising on foreign currency borrowings (FE-25), obtained under the directives of Ministry of Finance - GoP, which have been fully repaid during the year. These exchange differences are to be settled in accordance with the clarifications / instructions to be obtained by the Company from MoF-GoP.

(Amounts in Rs.'000)

| 21.7 Workers' Profits Participation Fund | Note | 2015 | 2014 |
|---|---|---|---|
| Balance at beginning of the year | | 1,748,278 | 1,000,396 |
| Add: Allocation for the year | 30 | 633,264 | 1,748,278 |
| | | 2,381,542 | 2,748,674 |
| Less: Payments during the year | | (2,198,278) | (1,000,396) |
| Balance at end of the year | | 183,264 | 1,748,278 |

## 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 | 2015 | 2014 |
|---|---|---|---|
| Short term finances | | | |
| - Local currency | 23.1, 23.2 & 23.3 | 60,179,405 | 64,816,460 |
| - Foreign currency | | - | 16,017,193 |
| | | 60,179,405 | 80,833,653 |
| Finances under mark-up arrangements | 23.1, 23.2 & 23.4 | 41,896,109 | 11,487,421 |
| | | 102,075,514 | 92,321,074 |

**23.1** The total outstanding balance is against the facilities aggregating Rs.107,411,600 (2014: Rs. 107,269,562 ) 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** As at June 30, 2015 accrued mark-up on short-term borrowings amounted to Rs. 866,894 (2014: Rs. 1,328,197).

**23.3** The rate of mark up on these facilities ranges from Re. 0.03 to Re. 0.22 (2014: Re. 0.03 to Re. 0.30) per Rs. 1,000 per day.

**23.4** The rate of mark up for these facilities ranges from Re. 0.20 to 0.26 (2014: Re. 0.29 to Re. 0.34) 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. 13,636,680 (2014: Rs. 12,437,531) other than as mentioned in note 24.1.22. This includes claim amounting to

Rs. 9,391,307 (2014: Rs. 10,252,306) in respect of delayed payment charges on the understanding that these will be payable only when the Company will fully realize delayed payment charges due from its customers (which is more than above amount). Charges claimed by the Company for delayed payment by customers due to circular debt are recognised on receipt basis as the ultimate outcome of the matter and amount of settlement cannot be presently determined.

**24.1.2** In the assessment years 1996-97 and 1997-98, the taxation authorities applied presumptive tax 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. Appellate Tribunal Inland Revenue (ATIR) cancelled the order of the assessing officer, and as a consequence of the order of the ATIR, 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 ATIR, 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 through its order dated March 7, 2007. The Supreme Court also suspended the operation of the impugned judgment of the High Court of Sindh. Currently the matter is under appeal with the Supreme Court of Pakistan. 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 upon opinion of its legal advisor, the Company is confident that the ultimate outcome of the matter would be in its favour. Accordingly, no provision has been made in this respect in these financial statements.

**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 short withheld on incentives paid to dealers. As per the taxation authorities, these 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 remaining balance of tax demand over the provision i.e. Rs. 321,993 the Company has already recovered Rs. 220,410 (2014: Rs. 208,942) from the dealers and is in the process of recovering the balance amount of Rs. 101,583 (2014: Rs. 113,051).

**24.1.4** The Deputy Commissioner Inland Revenue (DCIR), Federal Board of Revenue (FBR) vide 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 and subject to withholding tax @ 20% under section 156 of the ITO, 2001. Consequently, tax demands aggregating to Rs. 339,312 were created through the aforementioned orders which were subsequently rectified and amended to Rs. 318,837. The said rectification orders were further revised on October 11, 2011 and November 29, 2011, respectively, and the aggregate demand thereunder was reduced to Rs. 165,856. The Company is of the view 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.

(Amounts in Rs.'000)

The Company is currently contesting these orders before Appellate Tribunal Inland Revenue (ATIR), which is pending for hearing. Based on the views of tax advisor 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 vide his orders passed under ITO, 2001, classified the payments in respect of trade discounts for tax years 2011 and 2012 as prizes subject to withholding tax @ 20% under section 156 of the ITO, 2001. Consequently, rectified tax demands aggregating to Rs. 253,446 were created through revised orders. The Company filed appeals before CIR (Appeals) against these orders, who has upheld these orders. The Company is of the view 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 CIR (Appeals). Based on the views of tax advisor 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** During the year, the Company received tax demands for tax years 2013 and 2014 aggregating to Rs. 249,840 from taxation authorities in respect of disagreement regarding applicability of withholding tax rate. As per the taxation authorities, trade discounts / incentives to dealers are in the nature of prizes on sales promotion to dealers and hence subject to withholding tax @ 20% under section 156 of the ITO 2001. However, the Company is of the view that trade discounts attract tax @ 10% under section 156 A of the ITO 2001 which has been duly paid by the Company. The Company had filed appeals before CIR(Appeals) against these orders and the CIR(Appeals) upheld the order for tax year 2014, whereas, the appeal in respect of tax year 2013 is still pending with CIR (Appeals). The Company is in the process of filing an appeal against the order of CIR(Appeals) for tax year 2014 before the ATIR. Based on the views of tax advisor 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.

**24.1.7** The taxation authorities have 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 whereby the demand was reduced to Rs. 1,389,050. The Company filed appeals against these orders before CIR (Appeals) which were decided in favour of the Company. Last year, the Company received appeal effect orders in this respect resulting in tax refunds of Rs. 420,385, which have been adjusted against tax payments for tax year 2015. The Company has filed appeals before ATIR against disallowances/add backs which were upheld by the CIR (Appeals). The appeals with ATIR are pending for hearing. Based on views of the tax advisor 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 matters in these financial statements.

**24.1.8** The taxation authorities have 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. In 2013, the Company received appeal effect orders in this respect reducing the tax demand to Rs. 740,871.The Company has filed appeals before ATIR for remaining matters adjudicated against the Company by CIR (Appeals) which are pending for hearing. Based on the views of tax advisor 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 aforementioned addition in these financial statements.

**24.1.9** ACIR vide 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 filed an appeal against the order before the CIR (Appeals) which is pending for hearing. Based on the views of tax advisor of the Company, the management believes that the matters under the appeal 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** ACIR vide 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 filed an appeal against that order before the CIR (Appeals) which is pending for hearing. Based on the views of tax advisor 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.

**24.1.11** ACIR vide his order dated February 09, 2015 made certain additions and disallowances in respect of tax year 2014 and raised tax demand of Rs. 34,461,541. This order was later rectified and amended reducing the demand to Rs. 2,088,462 . The Company filed an appeal against that order before the CIR (Appeals) which is pending for hearing. Based on the views of the tax advisors of the Company, the management believes that the matters raised by ACIR will ultimately be decided in favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

**24.1.12** A sales tax order dated March 30, 2010 was raised 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 the advisors of the Company, the management believes that the matters under the appeal will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

**24.1.13** A sales tax order dated January 22, 2011 was issued by ACIR - Enforcement and Collection Division against the Company through which a demand was raised on disallowance of input sales tax 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 Tax Act, 1990. The Company is now contesting the case at ATIR which is pending for adjudication. Further, the Company has obtained stay from the 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 in this respect in these financial statements.

**24.1.14** A sales tax order dated June 30, 2011 was raised by the DCIR, FBR in respect of sales tax audit

(Amounts in Rs.'000)

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 decided the appeal in favour of the Company through his order dated September 27, 2012. However, the tax department has filed an appeal against the said order before the ATIR which is pending for adjudication. Based on the views of tax advisor of the Company, the management believes that the matter under the appeal will ultimately be decided in the Company's favour. Accordingly, no provision has been made in this respect in these financial statements.

**24.1.15** A sales tax show cause notice dated April 11, 2014 was raised by the ACIR, FBR in respect of sales tax audit of the Company for tax year 2010. Under the show cause notice, the ACIR showed his intention to impose a demand of Rs. 5,426,874 on account of certain matters including default surcharge and penalty to be imposed on the aforementioned demand at the time of payment. The Company filed a suit against the said show cause notice before the High Court of Sindh. The High Court of Sindh vide its order dated May 8, 2014 restrained the tax authorities from issuing any final order and taking any adverse action against the Company and further instructed the Company to cooperate with the tax authorities in respect of proceedings relating to aforesaid 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 in this respect in these financial statements.

**24.1.16** During the year, sales tax order dated October 27, 2014 regarding alleged non charging of sales tax on supply of fuel to International Airlines for the year 2014 was raised by the DCIR, FBR. Under the said order, the DCIR imposed a sales tax demand of Rs. 6,243,369 alongwith default surcharge of Rs. 1,375,082 and a penalty of Rs. 312,168 . The Company based on the advice of its tax consultants believes that it has correctly treated the aforesaid supplies as being 'zero' rated. Accordingly, the Company filed a suit against the said order before the High Court of Sindh which has provided a stay order in respect of this demand and restrained the tax authorities from taking any adverse action against the Company. The Company also filed an appeal against the said 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 matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in this respect in these financial statements.

**24.1.17** A sales tax order dated January 16, 2013 was issued by DCIR(Adjudication), 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 was raised which comprised default surcharge of Rs. 82,265 and penalty of Rs. 355,040 on late payment. The Company filed an appeal against the said order before CIR (Appeals) which was decided against the Company. The Company, accordingly, filed an appeal against the aforesaid order of CIR (Appeals) before ATIR which vide its order dated September 13, 2013 upheld the imposition of default surcharge, however, vacated penalty imposed for de novo consideration by adjudicating authority. During the year, the adjudicating authority has again decided the matter pertaining to imposition of penalty vide order dated September 18, 2014 against the Company. The Company has filed an appeal thereagainst before CIR (Appeals). Further, the Company has also filed an appeal before the High Court of Sindh against the order of ATIR, which is pending for hearing. Based on the views of tax and legal advisors of the Company, the management believes that these matters will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

**24.1.18** 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 has been contesting the matter before ATIR who has remanded the case back to custom authorities vide its order dated February 06, 2012. The Company is confident that the ultimate outcome of the matter would be in its favour. Accordingly, no provision has been made in this respect in these financial statements.

**24.1.19** 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 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, 2015, the management has deposited Rs. 131,470 in cash and provided bank guarantee amounting to Rs. 131,470 with the Excise and Taxation Department. Based on the views of its legal advisor, 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.

**24.1.20** During 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 years amounting to Rs. 39,781. The decision of the suit is pending and based on the views of the Company's legal advisors, the management believes that the matter will ultimately be decided in the Company's favour. Accordingly, no provision has been made in this respect in these financial statements.

**24.1.21** In 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

(Amounts in Rs.'000)

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 purchases of petroleum, oil and lubricants does not fall within the purview of the said Act, however, it may be applicable on the purchase of certain other items but the financial impact of these will not be significant.

The management of the Company is confident that the merits of the matter are in favour 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 respect.

**24.1.22** As at June 30, 2015 certain legal cases involving financial exposure amounting to Rs. 3,374,082 (2014: Rs. 3,040,355) have 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:

| | 2015 | 2014 |
|---|---|---|
| Property, plant and equipment | 1,738,790 | 1,083,771 |
| Intangibles | 16,073 | 43,599 |
| | 1,754,863 | 1,127,370 |

**24.2.2** Letters of credit for oil imports etc., post-dated cheques and bank guarantees outstanding as at June 30, 2015 amount to Rs. 13,471,674 (2014: Rs. 19,632,419).

## 25. NET SALES

| | Note | 2015 | 2014 |
|---|---|---|---|
| Gross sale | | 1,114,410,796 | 1,410,095,642 |
| Less: | | | |
| - Discounts / Allowances | | (1,832) | (521,378) |
| - Sales tax | | (183,891,088) | (204,360,034) |
| - Inland freight equalization margin | | (17,423,499) | (17,574,914) |
| | | (201,316,419) | (222,456,326) |
| Net sales | 25.1 | 913,094,377 | 1,187,639,316 |

**25.1** Includes revenue against sale of Liquefied Natural Gas (LNG) amounting to Rs. 14,538,900 (2014: Nil).

(Amounts in Rs.'000)

## 26. COST OF PRODUCTS SOLD

| | Note | 2015 | 2014 |
|---|---|---|---|
| Opening stock | | 86,297,218 | 106,089,048 |
| Add: Purchases during the year | | 861,710,350 | 1,131,023,398 |
| | | 948,007,568 | 1,237,112,446 |
| Less: Closing stock | 11 | (58,492,301) | (86,297,218) |
| | 26.1 | 889,515,267 | 1,150,815,228 |

**26.1** Includes cost incurred on manufacturing of lubricants amounting to Rs. 4,379,062 (2014: Rs. 6,219,959).

## 27. OTHER INCOME

| | Note | 2015 | 2014 |
|---|---|---|---|
| **Income from financial assets** | | | |
| Mark-up on delayed payments | | 6,866,104 | 12,379,802 |
| Mark-up / interest on available-for-sale investments - net of amortisation | | 4,514,767 | 4,522,727 |
| Mark-up on profit and loss sharing accounts and bank deposits | | 60,823 | 65,459 |
| Dividend income on available-for-sale investments | 27.1 | 154,949 | 236,656 |
| Penalties and other recoveries | | 124,046 | 146,241 |
| | | 11,720,689 | 17,350,885 |
| **Income from non-financial assets** | | | |
| Handling, storage and other recoveries | | 1,113,574 | 869,668 |
| Commission, handling and other services | | 722,888 | 824,307 |
| Commission income from CNG operators | | 284,083 | 291,777 |
| Income from non fuel retail business | | 94,190 | 83,432 |
| Income from retail outlets - net | | 64,148 | 59,651 |
| Scrap sales | | 11,987 | 4,308 |
| Gain on disposal of operating assets | | 10,184 | 6,763 |
| Others | | 2,215 | 26,883 |
| | | 2,303,269 | 2,166,789 |
| | | 14,023,958 | 19,517,674 |

27.1 This includes dividends received from Pak-Arab Pipeline Company Limited - related party.

(Amounts in Rs.'000)

## 28. DISTRIBUTION AND MARKETING EXPENSES

| | Note | 2015 | 2014 |
|---|---|---|---|
| Salaries, wages and benefits | 20.2.3 & 29.1 | 4,570,937 | 4,047,645 |
| Transportation costs | | 1,031,752 | 904,400 |
| Depreciation | 4.1.1 | 900,472 | 973,702 |
| Security and other services | | 144,733 | 127,004 |
| Rent, rates and taxes | | 392,980 | 293,123 |
| Repairs and maintenance | | 861,744 | 748,647 |
| Insurance | | 137,581 | 251,774 |
| Travelling and office transport | | 217,339 | 245,580 |
| Printing and stationery | | 16,306 | 16,468 |
| Communication | | 27,118 | 31,032 |
| Utilities | | 303,463 | 261,361 |
| Storage and technical services | | 192,351 | 129,515 |
| Sales promotion and advertisement | | 125,780 | 269,393 |
| Cards related costs | | 88,822 | 88,750 |
| Others | | 7,126 | 7,375 |
| | | 9,018,504 | 8,395,769 |

## 29. ADMINISTRATIVE EXPENSES

| | Note | 2015 | 2014 |
|---|---|---|---|
| Salaries, wages and benefits | 20.2.3 & 29.1 | 1,675,578 | 1,494,226 |
| Depreciation | 4.1.1 | 73,484 | 63,667 |
| Amortisation | 5 | 26,907 | 17,066 |
| Security and other services | | 13,897 | 13,470 |
| Rent, rates and taxes | | 8,480 | 7,191 |
| Repairs and maintenance | | 67,545 | 65,066 |
| Insurance | | 86,362 | 65,919 |
| Travelling and office transport | | 53,053 | 43,351 |
| Printing and stationery | | 14,435 | 6,852 |
| Communication | | 19,514 | 21,750 |
| Utilities | | 59,940 | 78,855 |
| Storage and technical services | | 15,992 | 39,256 |
| Legal and professional | | 92,193 | 38,792 |
| Auditors' remuneration | 29.3 | 13,466 | 9,504 |
| Contribution towards expenses of Board of Management - Oil | | 5,565 | 11,430 |
| Donations | | 167,696 | 99,991 |
| Fee and subscription | | 6,717 | 7,779 |
| | | 2,400,824 | 2,084,165 |

**29.1** Salaries, wages and benefits also include Rs. 115,183 (2014: Rs. 105,688) and Rs. 178,579 (2014: Rs. 128,718) in respect of Company's contribution towards provident funds and staff compensated absences, respectively.

(Amounts in Rs.'000)

**29.2 Remuneration of Managing Directors and Executives**

**29.2.1** The aggregate amount for the year in respect of remuneration and benefits to the Managing Directors and Executives are as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Managing Director** | **Executives** | Managing Director | Executives |
| Managerial remuneration | 9,256 | 817,846 | 8,104 | 832,266 |
| Housing and utilities | 5,091 | 477,262 | 4,457 | 472,857 |
| Performance bonus | 2,054 | 231,087 | 2,984 | 250,446 |
| Other allowances and benefits | 7,639 | 441,666 | 5,109 | 442,534 |
| Retirement benefits | 3,718 | 372,313 | 3,593 | 355,332 |
| Leave encashment | 2,595 | 3,125 | - | 7,285 |
| | 30,353 | 2,343,299 | 24,247 | 2,360,720 |
| Number, including those who worked part of the year, and were remunerated | 1 | 735 | 2 | 727 |

**29.2.2** The amount charged in respect of fee to seven non-executive directors (2014: seven) aggregated to Rs. 2,700 (2014: Rs. 7,450).

**29.2.3** 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.

**29.3 Auditors' remuneration**

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **A.F. Fergoson & Co.** | **Deloitte Yousuf Adil** | **Total** | KPMG Taseer Hadi & Co. | Deloitte Yousuf Adil | 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, tax and other advisory services | 3,625 | 519 | 4,144 | 266 | 200 | 466 |
| Out of pocket expenses | 1,039 | 863 | 1,902 | 799 | 819 | 1,618 |
| | 8,374 | 5,092 | 13,466 | 4,775 | 4,729 | 9,504 |

(Amounts in Rs.'000)

## 30. OTHER OPERATING EXPENSES

| | Note | 2015 | 2014 |
|---|---|---|---|
| Workers profits' participation fund | 21.7 | 633,264 | 1,748,278 |
| Workers' welfare fund | | 377,614 | 789,638 |
| Exchange loss - net | | 661,495 | 1,041,575 |
| Provision against doubtful trade debts - net | 12.3 | 1,651,527 | 94,092 |
| Provision against doubtful other receivables | 15.6 | 177,374 | 216,478 |
| Provision against stores, spares and loose tools | | 11,514 | - |
| | | 3,512,788 | 3,890,061 |

## 31. FINANCE COSTS

| | Note | 2015 | 2014 |
|---|---|---|---|
| Mark-up on short-term borrowings | | | |
| - Local currency | 31.1 | 8,147,482 | 5,010,538 |
| - Foreign currency | | 1,158,935 | 986,803 |
| | | 9,306,417 | 5,997,341 |
| Bank charges paid against Islamic financing | 31.1 | 101,856 | 73,644 |
| Late payment and bank charges | | 1,608,280 | 3,473,124 |
| | | 11,016,553 | 9,544,109 |

**31.1** Includes Rs. 738,610 (2014: Nil) in respect of charges paid on forced payments against documents arising on defaults on letters of credit and foreign exchange borrowings during the year.

## 32. TAXATION

| | Note | 2015 | 2014 |
|---|---|---|---|
| Current | | | |
| - for the year | 32.1 | 8,264,509 | 13,941,001 |
| - for prior years | | (80,945) | (28,295) |
| Deferred | 9 | (3,086,180) | (2,761,654) |
| | | 5,097,384 | 11,151,052 |

**32.1** Includes Rs. 557,802 on account of one - time Super Tax for tax year 2015, which has been levied through Finance Act, 2015 for the rehabilitation of temporary displaced persons.

**32.2** Relationship between accounting profit and tax expense

| | 2015 | 2014 |
|---|---|---|
| Accounting profit before taxation | 12,033,748 | 32,969,187 |
| Tax at the applicable tax rate of 33% (2014: 34%) | 3,971,137 | 11,209,524 |
| Tax effect of: | | |
| - Lower rate applicable to certain income including share of associates | (86,251) | (189,747) |
| - Other than temporary differences | 55,340 | 33,997 |
| - Adjustments relating to prior years | (80,945) | (28,295) |
| - Change in rate of tax | 750,730 | - |
| - Super tax | 557,802 | - |
| - Others | (70,429) | 125,573 |
| | 5,097,384 | 11,151,052 |

(Amounts in Rs.'000)

**32.3** Under section 5A of the Income Tax Ordinance, 2001, the Company is obligated to pay tax at the rate of 10 percent on its undistributed reserves exceeding 100 percent of its paid-up capital. Further, such tax shall not be applicable to a public company which distributes lower of 40 percent of its after tax profits or 50 percent of its paid up capital, within six months of the end of the tax year. The Company, during the year, paid an interim dividend of Rs. 6 per share and as such has discharged its liability under section 5A of the Income Tax Ordinance, 2001 for tax year 2015 relevant to the year ended June 30, 2015.

## 33. EARNINGS PER SHARE

| | **2015** | 2014 |
|---|---|---|
| There is no dilutive effect on the basic earnings per share of the Company, which is based on: | | |
| Profit for the year | 6,936,364 | 21,818,135 |
| | (Number of shares) | |
| Weighted average number of ordinary shares in issue during the year | 271,685,939 | 271,685,939 |
| | Rupees | |
| Earnings per share - basic and diluted | 25.53 | 80.31 |

## 34. CASH USED IN OPERATIONS

| | **Note** | **2015** | 2014 |
|---|---|---|---|
| Profit before taxation | | 12,033,748 | 32,969,187 |
| Adjustments for: | | | |
| Depreciation | | 973,956 | 1,037,369 |
| Amortisation of intangibles | | 26,907 | 17,066 |
| Write down of stock-in-trade to net realisable value | | 9,008 | - |
| Mark-up / interest on investments - net of amortisation | | (4,514,767) | (4,522,727) |
| Provision against doubtful trade debts and other receivables | | 1,828,901 | 310,570 |
| Provision against stores, spares and loose tools | | 11,514 | - |
| Retirement and other services benefits accrued | | 1,308,856 | 965,165 |
| Gain on disposal of operating assets | | (10,184) | (6,763) |
| Share of profit from associates | | (379,349) | (541,529) |
| Dividend income on investment | | (154,949) | (236,656) |
| Finance cost | | 11,016,553 | 9,544,109 |
| | | 10,116,446 | 6,566,604 |
| Working capital changes | 34.1 | (28,052,532) | (81,880,474) |
| | | (5,902,338) | (42,344,683) |

(Amounts in Rs.'000)

### 34.1 Working capital changes

| | 2015 | 2014 |
|---|---|---|
| Decrease in current assets: | | |
| - Stores, spare parts and loose tools | (29,872) | (50,560) |
| - Stock-in-trade | 27,795,909 | 19,791,830 |
| - Trade debts | (7,043,657) | (98,884,066) |
| - Loans and advances | (1,644,354) | (205) |
| - Deposits and short term prepayments | 607,969 | (105,711) |
| - Other receivables | 1,380,440 | 5,246,475 |
| Decrease in current liabilities: | | |
| - Trade and other payables | (49,118,967) | (7,878,237) |
| | (28,052,532) | (81,880,474) |

## 35. CASH AND CASH EQUIVALENTS

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

| | Note | 2015 | 2014 |
|---|---|---|---|
| - Cash and bank balances | 16 | 2,311,884 | 20,606,509 |
| - Finances under mark-up arrangements | 23 | (41,896,109) | (11,487,421) |
| | | (39,584,225) | 9,119,088 |

## 36. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment. The information with respect to major items of sales and customers are stated below:

- Sales from petroleum products represents 98.25% (2014: 99.77%) of total revenue of the Company.
- Out of total sales of the Company, 99.83% (2014: 99.97%) relates to customers in Pakistan.
- All non-current assets of the Company as at June 30, 2015 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. 312,117,022 for the year ended June 30, 2015 (2014: Rs. 426,640,038).
- During the year Company commenced LNG trading operations and generated revenue (net of sales tax) of Rs. 14,538,900, representing 1.59% of the total revenue of the Company.

(Amounts in Rs.'000)

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2015 | 2014 |
|---|---|---|
| **Financial assets as per balance sheet** | | |
| **Available for sale** | | |
| - Long-term investments | 48,174,340 | 43,871,145 |
| **Loans and receivables at amortised cost** | | |
| - Loans and receivables | 2,366,015 | 718,432 |
| - Deposits | 61,879 | 61,442 |
| - Trade debts | 185,303,851 | 178,260,194 |
| - Mark-up / interest receivable | 2,237,478 | 2,251,290 |
| - Other receivables | 14,405,684 | 17,464,923 |
| - Cash and bank balances | 2,311,884 | 20,606,509 |
| | 206,686,791 | 219,362,790 |
| | 254,861,131 | 263,233,935 |
| **Financial liabilities as per balance sheet** | | |
| **Financial liabilities measured at amortised cost** | | |
| - Trade and other payables | 136,687,926 | 181,494,588 |
| - Accrued interest / mark-up | 866,894 | 1,328,197 |
| - Short term borrowings | 102,075,514 | 92,321,074 |
| | 239,630,334 | 275,143,859 |

### 37.1 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 carried at fair value in the balance sheet 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 |
|---|---|---|---|---|
| | | 2015 | | |
| **Financial assets** | | | | |
| Debt securities - PIBs | - | 47,310,340 | - | 47,310,340 |

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

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 38.1 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 these risks, fair value of financial instruments and the Company's management of capital risk.

**Financial risk factors and risk management framework**

The Company's overall risk management programme focuses on having cost effective funding as well as management of financial risk in order 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 internal controls and limits 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 oversees 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 risks are identified, measured and managed in accordance with the Company's 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. There has been no change to the Company's exposure to market risk or the manner in which these risks are managed and measured.

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$ 604,153 thousand (2014: US$ 1,145,810 thousand) equivalent to Rs. 61,552,639 (2014: Rs. 113,148,733) and advances from foreign customers amounting to US$ 10,840 thousand (2014: US$ 25,881 thousand) equivalent to Rs. 1,104,441 (2014: Rs. 2,555,711). The average rates applied during the year is Rs. 101.53 / US$ (2014: Rs. 102.88 / US$) and the spot rate as at June 30, 2015 was Rs. 101.88 / US$ (2014: Rs. 98.75 / 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. During the year, the Company has incurred exchange loss of Rs. 661,495 (2014: Rs. 1,041,575).

At June 30, 2015, 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. 2,099,012 (2014: Rs. 3,818,247), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade payables and advances.

(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, short-term finances and running finance facilities amounting to Rs. 122,307,470 (financial liabilities on a net basis) (2014: Rs. 91,365,085). These are benchmarked to variable rates which expose the Company to cash flow interest rate risk only.

(Amounts in Rs.'000)

| Variable rate instruments | Carrying amount 2015 | 2014 |
|---|---|---|
| Financial assets | | |
| - Profit and loss sharing accounts | 1,122 | 16,373,931 |
| Financial liabilities | | |
| - Short term borrowings | 102,075,514 | 92,321,074 |
| - Local creditors | 20,233,078 | 15,417,942 |
| | (122,308,592) | (107,739,016) |
| Net financial liabilities at variable interest rates | (122,307,470) | (91,365,085) |

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit for the year and shareholder's equity by Rs. 819,460 (2014: Rs. 603,010). This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis as for 2014.

| | 2015 | 2014 |
|---|---|---|
| **Fixed rate instruments** | | |
| Investment in Pakistan Investment Bonds (PIBs) | 47,310,340 | 43,007,145 |

**Fair value sensitivity analysis for fixed rate instruments**

These investments are accounted for as available-for-sale. A change in 100 basis points in interest rates on these investments at year end would have increased or decreased other comprehensive income for the year by Rs. 854,423 (2014: Rs. 1,059,711).

**(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.

There are no equity investments held by the Company which are measured at fair value, hence, no equity price risk exists as at June 30, 2015.

The Company considers at each reporting date whether there are any factors which might lead to impairment of Company's investments in associates below its carrying amount. At year end, there are no such factors, accordingly, the Company's investments in associates are carried at amounts determined under equity method of accounting.

(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 funds 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:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Balance Sheet** | **Maximum exposure** | Balance Sheet | Maximum exposure |
| **Available for sale** | | | | |
| - Pakistan Investment Bonds, including accrued mark-up | 49,547,818 | - | 45,258,435 | - |
| **Loans and receivables** | | | | |
| - Loans, advances and receivables | 2,366,015 | 2,162,614 | 718,432 | 492,604 |
| - Deposits | 61,879 | 61,879 | 61,442 | 61,442 |
| - Trade debts | 185,303,851 | 36,535,256 | 175,386,168 | 31,963,130 |
| - Other receivables | 14,405,684 | 5,108,265 | 17,464,923 | 8,167,504 |
| - Bank balances | 2,302,611 | 2,302,611 | 20,597,174 | 20,597,174 |
| | 253,987,858 | 46,170,625 | 259,486,574 | 61,281,854 |

Significant concentration of credit risk is on amounts due from Government agencies and autonomous bodies amounting to Rs. 126,928,497 (2014: Rs. 108,393,477). 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 and security deposits.

(Amounts in Rs.'000)

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

| | Less than 3 months | 3 to 6 months | 6 months to 1 year | 1 year to 2 years | More than 2 years | Total |
|---|---|---|---|---|---|---|
| | | | **2015** | | | |
| Trade debts - gross | 100,694,484 | 33,871,212 | 48,050,879 | 113,933 | 2,573,343 | 185,303,851 |
| Provision | - | (15,921) | (1,866,943) | (69,346) | (2,573,343) | (4,525,553) |
| Trade debts - net | 100,694,484 | 33,855,291 | 46,183,936 | 44,587 | - | 180,778,298 |
| | | | 2014 | | | |
| Trade debts - gross | 114,044,097 | 55,097,913 | 5,023,037 | 306,507 | 3,788,640 | 178,260,194 |
| Provision | - | (11,975) | (42,185) | (190,560) | (2,629,306) | (2,874,026) |
| Trade debts - net | 114,044,097 | 55,085,938 | 4,980,852 | 115,947 | 1,159,334 | 175,386,168 |

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

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

| **Bank** | **Date of Rating** | **Rating agency** | **Rating** | |
|---|---|---|---|---|
| | | | **Short term** | **Long term** |
| Allied Bank Limited | June, 2015 | PACRA | A1+ | AA+ |
| Askari Bank Limited | June, 2015 | JCR-VIS | A-1+ | AA |
| Bank Al Habib Limited | June, 2015 | PACRA | A1+ | AA+ |
| Bank Alfalah Limited | June, 2015 | PACRA | A1+ | AA |
| Bank Islami Pakistan Limited | July, 2015 | PACRA | A1 | A+ |
| Citibank N.A. | March, 2015 | Moody's | P-1 | A2 |
| Deutsche Bank AG | June, 2015 | Moody's | P-1 | A3 |
| Faysal Bank Limited | June, 2015 | PACRA | A1+ | AA |
| Habib Bank Limited | June, 2015 | JCR-VIS | A-1+ | AAA |
| Habib Metropolitan Bank Limited | June, 2015 | PACRA | A1+ | AA+ |
| JS Bank Limited | June, 2015 | PACRA | A1+ | A+ |
| MCB Bank Limited | June, 2015 | PACRA | A1+ | AAA |
| Meezan Bank Limited | June, 2015 | JCR-VIS | A-1+ | AA |
| National Bank of Pakistan | June, 2015 | JCR-VIS | A1+ | AAA |
| NIB Bank Limited | June, 2015 | PACRA | A1+ | AA- |
| Samba Bank Limited | June, 2015 | JCR-VIS | A-1 | AA |
| Standard Chartered Bank (Pakistan) Limited | June, 2015 | PACRA | A1+ | AAA |
| The HSBC Bank Middle East Limited | June, 2015 | Moody's | P-2 | A3 |
| United Bank Limited | June, 2015 | 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.

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

**Maturity analysis of financial liabilities**

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

| | **2015** | 2014 |
|---|---|---|
| | **Contractual maturity Up to three months** | |
| **Financial liabilities** | | |
| Trade and other payables | 136,687,926 | 181,494,588 |
| Accrued interest / mark-up | 866,894 | 1,328,197 |
| Short term borrowings | 60,179,405 | 80,833,653 |
| Finances under mark-up arrangements | 41,896,109 | 11,487,421 |
| | 239,630,334 | 275,143,859 |

In respect of above there were no liabilities with contractual maturity of more than three months.

The Company has access to financing facilities as described in note 23, of which Rs. 5,336,086 (2014: Rs. 14,948,488) are unused at the reporting date. The company expects to meet its obligation from the operating cash flows and proceeds of maturity of financial assets.

**(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 behaviour. 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;
- operational and qualitative track record of the plant and equipment supplier and related service providers.

**38.2 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 to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed capital requirements. The company's overall strategy remains unchanged from 2014.

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 | 2015 | 2014 |
|---|---|---|---|
| The gearing ratios as at June 30, 2015 and 2014 were as follows: | | | |
| Total borrowings | 23 | 102,075,514 | 92,321,074 |
| Less: Cash and bank balances | 16 | (2,311,884) | (20,606,509) |
| Net debt | | 99,763,630 | 71,714,565 |
| Total equity | | 82,310,296 | 78,621,157 |
| Total capital | | 182,073,926 | 150,335,722 |
| Gearing ratio | | 54.79% | 47.70% |

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.

## 39. TRANSACTIONS WITH RELATED PARTIES

**39.1** Related parties comprise of associated companies, retirement benefit funds, state owned / controlled entities, common directorship companies, GoP and its related entities, and key management personnel. Details of transactions with the related parties during the year, other than those disclosed elsewhere in these financial statements, are as follows:

| Name of related party and relationship with the Company | Nature of transactions | 2015 | 2014 |
|---|---|---|---|
| **Associates** | | | |
| - Pakistan Refinery Limited | Purchases | 13,797,724 | 21,757,428 |
| | Dividend received | - | 17,955 |
| | Other expenses | 91,383 | 20,809 |
| - Pak Grease Manufacturing Company (Private) Limited | Purchases | 92,927 | 74,098 |
| | Dividend received | 7,548 | 7,548 |
| - Asia Petroleum Limited | Facility charges income | 197,580 | 196,698 |
| | Dividend received | 506,644 | 391,497 |
| | Pipeline charges | 2,110,907 | 2,064,169 |
| **Retirement benefit funds** | | | |
| - Pension Funds | Charge for the year | 452,826 | 366,433 |
| | Contributions | 2,155,616 | 933,697 |
| - Gratuity Fund | Charge for the year | 371,653 | 277,912 |
| | Contributions | 1,503,061 | 548,085 |
| - Provident Funds | Contributions | 115,183 | 105,688 |
| **Key management personnel** | Managerial remuneration | 112,701 | 98,694 |
| | Housing and utilities | 61,986 | 54,282 |
| | Performance bonus | 29,797 | 29,071 |
| | Other allowances and benefits | 77,992 | 58,714 |
| | Retirement benefits | 45,832 | 38,174 |
| | Leave encashment | 3,745 | 2,975 |
| | Vehicles having book value of Nil (2014: Rs. 2,811) transferred under employee car scheme (sale proceeds) | - | 2,811 |

(Amounts in Rs.'000)

### 39.2 Related parties by virtue of common directorship and GoP holdings

The Federal Government of Pakistan directly holds 25.51% of the Company's issued share capital and is entitled to appoint members of the Board of Management – Oil under the provisions of the Marketing of Petroleum Products (Federal Control) Act, 1974, for management of the affairs of the Company. The Company, therefore, considers that the GoP is in a position to exercise control over it and therefore regards the GoP and its various bodies as related parties for the purpose of the disclosures in respect of related parties.

The Company has availed the exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with government related entities except for transactions stated below which the Company considers are significant:

| | | **2015** | 2014 |
|---|---|---|---|
| - Government of Pakistan | Dividend paid | 610,475 | 173,711 |
| | Dividend adjusted against price differential claim | 81 | 187,154 |
| | Income from PIBs | 5,027,420 | 5,041,232 |
| - Board of Management - Oil | Contribution towards expenses of BOM | 5,565 | 11,430 |
| - Benazir Employees' Stock Option Scheme | Dividend paid to the trust | 74,289 | 43,898 |
| - Prime Minister Relief Fund for Internally Displaced Persons | Donation paid | 40,000 | - |
| - Pak Arab Pipeline Company Limited | Pipeline charges | 3,693,205 | 3,619,193 |
| | Dividend received | 154,949 | 218,701 |
| - Water and Power Development Authority | Sales | 125,184,313 | 187,060,443 |
| | Utility charges | 149,329 | 149,373 |
| - Kot Addu Power Company Limited | Sales | 84,534,147 | 108,839,480 |
| | Other income | 5,064,380 | 2,000,000 |
| | Pipeline income | 120,777 | 118,454 |
| - Pakistan International Airlines Corporation | Sales | 12,614,285 | 20,921,401 |
| | Purchases | 10,434 | 5,008 |
| - Pak Arab Refinery Limited | Purchases | 120,766,759 | 153,654,524 |
| | Pipeline charges | 516,979 | 430,488 |
| | Other expense | 850,612 | 3,091,687 |

(Amounts in Rs.'000)

The transactions described below are collectively but not individually significant to these financial statements and therefore have been described below:

(i) The Company sells petroleum products to various government bodies in the normal course of its business and has banking relationship with institutions controlled by GoP. Oil and Gas Regulatory Authority (OGRA) is the regulatory authority of the Company.

(ii) The Company collects income tax, sales tax, federal excise duty and petroleum levy in capacity of withholding agent on behalf of GoP. The Company also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue, Sindh and Punjab Board of Revenue and Customs authorities.

(iii) The Company incurs rental charges in respect of storage facilities at Kemari terminal and at various airports which are paid to Karachi Port Trust and Civil Aviation Authority, respectively. The Company also utilises port facilities of Port Qasim Authority and Karachi Port Trust.

(iv) The Company has obtained insurance cover for its inventory and fixed assets from National Insurance Company Limited.

(v) The Company utilises carriage services of Pakistan National Shipping Corporation and Pakistan Railways for movement of its petroleum products. The Company also uses pipeline of Pak Arab Refinery Limited (PARCO) and Pak Arab Pipeline Company Limited (PAPCO) for delivery/movement of its product.

(vi) The Company obtains utility services from Civil Aviation Authority, Sui Northern Gas Company Limited and Sui Southern Gas Company Limited on account of utility charges.

(vii) The Company sells fuel oil and other allied products to K-Electric Limited and receives pipeline income as per agreed terms and conditions.

(viii) The Company also pays dividend to various government related entities who are shareholders of the Company.

39.3 The related party status of outstanding receivables and payables as at June 30, 2015 are included in respective notes to the financial statements.

39.4 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.

39.5 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)

## 40. PROVIDENT FUND RELATED DISCLOSURE

**40.1** 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:

| | **2015** | 2014 |
|---|---|---|
| Size of the fund - Net assets | 3,859,618 | 3,516,878 |
| Cost of the investment made | 3,709,167 | 3,326,178 |
| Percentage of the investment made (based on fair value) | 98% | 96% |
| Fair value of the investment made | 3,789,949 | 3,386,333 |

**40.2** The break up of fair value of the investment is as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Amount** | **%** | Amount | % |
| Share of listed companies | 66,843 | 2% | 71,865 | 2% |
| Bank balances | 368,698 | 10% | 767,240 | 23% |
| Government securities | 2,410,659 | 64% | 1,947,827 | 58% |
| Debt securities | 348,289 | 9% | 111,041 | 3% |
| Mutual funds | 595,460 | 16% | 488,360 | 14% |
| | 3,789,949 | | 3,386,333 | |

**40.3** Based on the un-audited financial statements of the funds, 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.

## 41. 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 for reclassification of Rs. 53,006 from ' Loans and Advances' to 'Deposits and short-term prepayments'.

## 42. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Managing Director of the Company, in exercise of Board's powers under section 6(4) of the Act, has proposed a final cash dividend of Rs. 4 (2014: Rs. 4) per share for the year ended June 30, 2015, amounting to Rs.1,086,744 (2014: Rs. 1,086,744) for approval of the members at the Annual General Meeting to be held on October 14, 2015. These financial statements do not reflect these appropriations and the proposed dividend payable.

(Amounts in Rs.'000)

## 43. NUMBER OF EMPLOYEES

| | 2015 | 2014 |
|---|---|---|
| As at June 30, | 1,900 | 1,994 |
| Average during the year | 1,947 | 2,022 |

## 44. GENERAL

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

## 45. DATE OF AUTHORISATION FOR ISSUE

In pursuance to the notification from the MoP&NR - GoP dated February 12, 2015 regarding de-notification of BoM-Oil (note 1.2) and exercise of powers under section 6 (4) of the Act, these financial statements were authorized for issue on September 01, 2015 by the Managing Director of the Company.

**Sheikh Imran ul Haque**
Managing Director & CEO

# ATTENDANCE AT BOARD OF MANAGEMENT MEETINGS

## For the year ended June 30, 2015

| Names of Members | Total No. of Board Meetings * | Number of Meetings Attended |
|---|---|---|
| MR. KHAWAJA MUJAHID ESHAI | 5 | 5 |
| MR MUHAMMAD NAEEM MALIK | 5 | 4 |
| MR. AMJAD PARVEZ JANJUA | 5 | 4 |
| MR. UMAR AZIM DAUDPOTA | 5 | 5 |
| MR. BILAL EJAZ | 5 | 5 |
| MR. SHAHID ISLAM | 5 | 5 |
| MR. HUSSAIN ISLAM | 5 | 4 |
| MR. ADEEL RAUF | 5 | 4 |
| MR. SALMAN AZHAR ANSARI | 5 | 5 |
| MR. SHAHZAD SALEEM | 2 | 1 |

*Number of meeting 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, 2015

## Attendance at Board Audit and Compliance Committee Meetings

| Names of Members | Total No. of Meetings* | Number of Meetings Attended |
|---|---|---|
| MR. UMAR AZIM DAUDPOTA | 4 | 4 |
| MR. SHAHID ISLAM | 4 | 4 |
| MR. HUSSAIN ISLAM | 4 | 1 |

Mr. Khawaja Mujahid Eshai and Mr. Bilal Ejaz attended one meeting on invitation.

## Attendance at Board Human Resource & Remuneration Committee Meetings

| Names of Members | Total No. of Meetings* | Number of Meetings Attended |
|---|---|---|
| MR. UMAR AZIM DAUDPOTA | 4 | 4 |
| MR. HUSSAIN ISLAM | 4 | 1 |
| MR. ADEEL RAUF | 4 | 3 |
| MR. SALMAN AZHAR ANSARI | 4 | 4 |

## Attendance at Board Finance & Risk Management Committee Meeting

| Names of Members | Total No. of Meetings* | Number of Meetings Attended |
|---|---|---|
| MR. UMAR AZIM DAUDPOTA | 1 | 1 |
| MR. SHAHID ISLAM | 1 | 1 |
| MR. BILAL EJAZ | 1 | 1 |

*Number of meeting held during the period when the concerned BoM member was on the Board.

# SHAREHOLDERS' CATEGORIES

as at June 30, 2015

| | 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 Limited | 1 | 136,425 | 0.05 |
| NBP, Trustee Department | 1 | 40,779,388 | 15.01 |
| Investment Corporation of Pakistan | 1 | 1,344,325 | 0.49 |
| CDC-Trustee National Investment Trust | 1 | 114,016 | 0.04 |
| **CEO, Directors and their Spouse and Minor Children** | 1 | 1 | 0.00 |
| Public Sector Companies & Corporations | | | |
| Banks, DFIs NBFIs, Insurance Companies, Modarbas, Mutual Funds and other Orgnizations | 485 | 99,118,295 | 36.48 |
| Individuals | 12,754 | 37,983,998 | 13.98 |
| Others | 296 | 22,899,475 | 8.43 |
| **TOTAL** | 13,542 | 271,685,938 | 100.00 |

# SHAREHOLDERS' CATEGORIES
as at June 30, 2015

| | NO. OF SHAREHOLDERS | NO. OF SHARES | % |
|---|---|---|---|
| INDIVIDUALS | 12,755 | 37,983,999 | 13.98 |
| NIT & ICP | 4 | 42,374,154 | 15.60 |
| FINANCIAL INSTITUTION AND BANKS | 44 | 13,066,327 | 4.81 |
| INSURANCE COMPANIES | 17 | 21,896,457 | 8.06 |
| MODARABA COMPANIES & MUTUAL FUNDS | 86 | 40,452,670 | 14.89 |
| PUBLIC SECTOR COMPANIES | 2 | 117,451 | 0.04 |
| FEDERAL GOVERNMENT | 2 | 69,310,015 | 25.51 |
| FOREIGN INVESTORS | 336 | 23,585,390 | 8.68 |
| OTHERS | 296 | 22,899,475 | 8.43 |
| **TOTALS** | 13,542 | 271,685,938 | 100.00 |

# PATTERN OF SHAREHOLDINGS
as at June 30, 2015

| No. of Shareholders | Having Shares From | Having Shares To | Shares Held | Percentage |
|---|---|---|---|---|
| 4565 | 1 | 100 | 136161 | 0.0501 |
| 2891 | 101 | 500 | 790938 | 0.2911 |
| 1508 | 501 | 1000 | 1141740 | 0.4202 |
| 3000 | 1001 | 5000 | 6813885 | 2.5080 |
| 672 | 5001 | 10000 | 4821445 | 1.7746 |
| 267 | 10001 | 15000 | 3280467 | 1.2074 |
| 133 | 15001 | 20000 | 2331046 | 0.8580 |
| 95 | 20001 | 25000 | 2157529 | 0.7941 |
| 58 | 25001 | 30000 | 1613066 | 0.5937 |
| 50 | 30001 | 35000 | 1577122 | 0.5805 |
| 19 | 35001 | 40000 | 709967 | 0.2613 |
| 20 | 40001 | 45000 | 845710 | 0.3113 |
| 20 | 45001 | 50000 | 963197 | 0.3545 |
| 16 | 50001 | 55000 | 843822 | 0.3106 |
| 12 | 55001 | 60000 | 685704 | 0.2524 |
| 8 | 60001 | 65000 | 507268 | 0.1867 |
| 12 | 65001 | 70000 | 815230 | 0.3001 |
| 4 | 70001 | 75000 | 286997 | 0.1056 |
| 11 | 75001 | 80000 | 868453 | 0.3197 |
| 5 | 80001 | 85000 | 411767 | 0.1516 |
| 5 | 85001 | 90000 | 439119 | 0.1616 |
| 7 | 90001 | 95000 | 647887 | 0.2385 |
| 8 | 95001 | 100000 | 790522 | 0.2910 |
| 4 | 100001 | 105000 | 410119 | 0.1510 |
| 9 | 105001 | 110000 | 971923 | 0.3577 |
| 4 | 110001 | 115000 | 452016 | 0.1664 |
| 1 | 115001 | 120000 | 115358 | 0.0425 |
| 4 | 120001 | 125000 | 498700 | 0.1836 |
| 2 | 130001 | 135000 | 267251 | 0.0984 |
| 6 | 135001 | 140000 | 822620 | 0.3028 |
| 2 | 140001 | 145000 | 280267 | 0.1032 |
| 2 | 145001 | 150000 | 298200 | 0.1098 |
| 1 | 150001 | 155000 | 150600 | 0.0554 |

# PATTERN OF SHAREHOLDINGS
as at June 30, 2015

| No. of Shareholders | Having Shares From | To | Shares Held | Percentage |
|---|---|---|---|---|
| 2 | 155001 | 160000 | 315092 | 0.1160 |
| 3 | 165001 | 170000 | 502086 | 0.1848 |
| 2 | 170001 | 175000 | 350000 | 0.1288 |
| 1 | 175001 | 180000 | 177200 | 0.0652 |
| 5 | 180001 | 185000 | 915145 | 0.3368 |
| 1 | 185001 | 190000 | 187000 | 0.0688 |
| 2 | 190001 | 195000 | 386580 | 0.1423 |
| 3 | 195001 | 200000 | 596236 | 0.2195 |
| 1 | 200001 | 205000 | 204700 | 0.0753 |
| 2 | 205001 | 210000 | 418137 | 0.1539 |
| 3 | 210001 | 215000 | 637424 | 0.2346 |
| 1 | 225001 | 230000 | 229796 | 0.0846 |
| 2 | 230001 | 235000 | 464128 | 0.1708 |
| 1 | 235001 | 240000 | 240000 | 0.0883 |
| 4 | 245001 | 250000 | 987710 | 0.3635 |
| 2 | 250001 | 255000 | 504912 | 0.1858 |
| 1 | 260001 | 265000 | 261360 | 0.0962 |
| 1 | 270001 | 275000 | 270500 | 0.0996 |
| 1 | 275001 | 280000 | 275700 | 0.1015 |
| 3 | 295001 | 300000 | 900000 | 0.3313 |
| 4 | 300001 | 305000 | 1204383 | 0.4433 |
| 1 | 305001 | 310000 | 308740 | 0.1136 |
| 1 | 315001 | 320000 | 316800 | 0.1166 |
| 1 | 325001 | 330000 | 330000 | 0.1215 |
| 1 | 335001 | 340000 | 339378 | 0.1249 |
| 1 | 340001 | 345000 | 340686 | 0.1254 |
| 2 | 350001 | 355000 | 708900 | 0.2609 |
| 1 | 355001 | 360000 | 358747 | 0.1320 |
| 1 | 365001 | 370000 | 370000 | 0.1362 |
| 1 | 370001 | 375000 | 371000 | 0.1366 |
| 1 | 390001 | 395000 | 393000 | 0.1447 |
| 3 | 395001 | 400000 | 1200000 | 0.4417 |
| 1 | 400001 | 405000 | 401500 | 0.1478 |

# PATTERN OF SHAREHOLDINGS
as at June 30, 2015

| No. of Shareholders | Having Shares From | To | Shares Held | Percentage |
|---|---|---|---|---|
| 2 | 410001 | 415000 | 826087 | 0.3041 |
| 1 | 425001 | 430000 | 427800 | 0.1575 |
| 2 | 430001 | 435000 | 865655 | 0.3186 |
| 1 | 455001 | 460000 | 457266 | 0.1683 |
| 2 | 485001 | 490000 | 971970 | 0.3578 |
| 1 | 495001 | 500000 | 500000 | 0.1840 |
| 1 | 530001 | 535000 | 535000 | 0.1969 |
| 1 | 535001 | 540000 | 536555 | 0.1975 |
| 1 | 545001 | 550000 | 545500 | 0.2008 |
| 1 | 550001 | 555000 | 553728 | 0.2038 |
| 1 | 585001 | 590000 | 590000 | 0.2172 |
| 1 | 595001 | 600000 | 599820 | 0.2208 |
| 1 | 605001 | 610000 | 605328 | 0.2228 |
| 2 | 625001 | 630000 | 1253427 | 0.4614 |
| 1 | 635001 | 640000 | 639500 | 0.2354 |
| 2 | 660001 | 665000 | 1324889 | 0.4877 |
| 1 | 665001 | 670000 | 665408 | 0.2449 |
| 1 | 720001 | 725000 | 723790 | 0.2664 |
| 2 | 730001 | 735000 | 1468700 | 0.5406 |
| 1 | 750001 | 755000 | 752000 | 0.2768 |
| 1 | 810001 | 815000 | 810900 | 0.2985 |
| 1 | 845001 | 850000 | 850000 | 0.3129 |
| 1 | 850001 | 855000 | 854267 | 0.3144 |
| 1 | 905001 | 910000 | 908232 | 0.3343 |
| 1 | 915001 | 920000 | 915200 | 0.3369 |
| 1 | 925001 | 930000 | 930000 | 0.3423 |
| 1 | 955001 | 960000 | 955300 | 0.3516 |
| 1 | 960001 | 965000 | 963000 | 0.3545 |
| 1 | 980001 | 985000 | 985000 | 0.3626 |
| 1 | 1045001 | 1050000 | 1050000 | 0.3865 |
| 1 | 1080001 | 1085000 | 1080537 | 0.3977 |
| 1 | 1095001 | 1100000 | 1099400 | 0.4047 |
| 1 | 1100001 | 1105000 | 1100610 | 0.4051 |

# PATTERN OF SHAREHOLDINGS
as at June 30, 2015

| No. of Shareholders | Having Shares From | To | Shares Held | Percentage |
|---|---|---|---|---|
| 1 | 1125001 | 1130000 | 1126200 | 0.4145 |
| 1 | 1150001 | 1155000 | 1152537 | 0.4242 |
| 1 | 1200001 | 1205000 | 1204000 | 0.4432 |
| 2 | 1210001 | 1215000 | 2425878 | 0.8929 |
| 1 | 1340001 | 1345000 | 1344325 | 0.4948 |
| 1 | 1485001 | 1490000 | 1486500 | 0.5471 |
| 1 | 1595001 | 1600000 | 1595885 | 0.5874 |
| 1 | 1630001 | 1635000 | 1632930 | 0.6010 |
| 1 | 1645001 | 1650000 | 1645338 | 0.6056 |
| 1 | 1780001 | 1785000 | 1782211 | 0.6560 |
| 1 | 1860001 | 1865000 | 1863000 | 0.6857 |
| 1 | 2190001 | 2195000 | 2191600 | 0.8067 |
| 1 | 3060001 | 3065000 | 3062447 | 1.1272 |
| 1 | 5260001 | 5265000 | 5263623 | 1.9374 |
| 1 | 5920001 | 5925000 | 5922149 | 2.1798 |
| 1 | 8250001 | 8255000 | 8254381 | 3.0382 |
| 1 | 13095001 | 13100000 | 13095147 | 4.8200 |
| 1 | 15835001 | 15840000 | 15836172 | 5.8289 |
| 1 | 18405001 | 18410000 | 18408788 | 6.7758 |
| 1 | 40775001 | 40780000 | 40779388 | 15.0098 |
| 1 | 61055001 | 61060000 | 61055634 | 22.4729 |
| 13542 | | Company Total | 271,685,938 | 100.0000 |

# SHAREHOLDERS AND INVESTORS INFORMATION

## Annual General Meeting

The annual shareholders' meeting will be held at 1130 am, October 14th, 2015 at Ballroom, Pearl Continental Hotel, Karachi.

## Shareholders' Enquiries

Enquiries about the shareholding, dividends should be directed either to company's registered office or share registrar at the following address:

Ms THK Associates Private Limited, Ground floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi.

Telephone: 021-35689021
Fax: 021-35655595

## Quarterly Reports

The company publishes interim reports at the end of first, second and third quarters of the financial year. The interim reports for the preceding year can be accessed at PSO's website www.psopk.com or printed copies may be obtained by writing to the company secretary.

## Annual Report

The Annual Report of the Company summarises the Company's performance during the year and provides an outlook in the future.

The Annual report may be downloaded from the company's website www.psopk.com or printed copies may be obtained by writing to the Company Secretary.

## Stock Exchange Listing

Pakistan State Oil's shares are traded on all the three stock exchanges of the country i.e. Karachi, Lahore and Islamabad. The symbol code for dealing in shares of Pakistan State Oil Company Limited "PSO."

# 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)
Financial Year (FY)
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)

# CREDITS

**Project Oversight:**
Corporate Communications Department

**Major Content Contribution:**
Corporate Planning Department
Company Secretariat
Financial Reporting Department

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**Design & Layout:**
Argus Advertising

**Photography:**
Agha Abbas
www.aghaabbas.com

# PAKISTAN STATE OIL COMPANY LIMITED

## THIRTY NINTH ANNUAL GENERAL MEETING- 2015

FORM OF PROXY ____________________

I/We ____________________

At ____________________

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

Ordinary shares as per registered Folio No. ____________________

Hereby appoint ____________________

Of ____________________

Or failing him ____________________

Of ____________________

As our proxy to vote for us and on our behalf at the Thirty Ninth Annual General Meeting of the Company to be held on Wednesday, October 14, 2015 and at any adjournment thereof.

Signed by me/us this ____________ day of ____________ 2015.

Signed by the said

Five Rupees
Revenue
Stamps

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.

for Office use